

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

1. Basis of presentation

These financial statements have been prepared by Vuntut Gwitchin First Nation's ("First Nation") management in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

These financial statements have been prepared on a non-consolidated basis and include financial information of the First Nation only. The non-consolidated financial statements do not include the First Nation's equity investments in businesses and trusts directly and indirectly owned by the First Nation. 40925 Yukon Inc. has been carried in the books of the First Nation at cost (see Note 6).

2. Significant accounting policies

a) Cash and restricted cash

Cash and restricted cash are comprised of deposits with financial institutions and cash equivalents. Cash equivalents are short-term highly liquid investments with a maturity three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

b) Inventories

Inventories are carried at the lower of cost and fair market value.

c) Tangible capital assets

Tangible capital assets are recorded at cost and include the purchase price, direct construction costs and other costs directly attributable to the acquisition, construction, development and betterment of the asset.

Tangible capital assets are amortized using the straight-line method over the useful life of the assets at the following rates:

VGFN Houses	25 years
Other buildings	25 years
Infrastructure	40 years
Recreation facilities	20 years
Tank farm	20 years
Equipment and furniture	3- 5 years
Vehicles	5-10 years

Impairment

Impairment testing is performed whenever events or changes in circumstances indicate that the asset's carrying value may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal is less than the asset's carrying amount. Impairment losses are charged against the statement of operations.

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

2. Significant accounting policies (continued)

d) Revenue recognition

Funding received under the Financial Transfer Agreement with the Government of Canada is recognized as revenue in the year the funding pertains to, as specified in the Agreement.

Contributions under the terms of other agreements are recognized as revenue at the time applications are approved by the relevant funding agency.

e) Surplus and deferred revenue

All unexpended items of revenue are treated as surplus until such time as the related project is completed. Unexpended balances of various contribution agreements with restrictions are treated as deferred revenue.

f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to amortization rates and allowance for doubtful accounts. Actual results could differ from those reported.

g) Financial instruments

The First Nation's financial instruments consist of cash and restricted cash, accounts receivable, grants receivable, loans receivable, long-term investments, accounts payable and accrued liabilities and long-term debts. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency, credit or liquidity risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

h) Expenses

The First Nation's expenses are presented using the segmented format. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard.

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

3. Comparative balances

Changes in the presentation and classification of accounts have been made on the comparative balances of prior year non-consolidated financial statements to conform to current year balances.

A promissory note issued by 40782 Yukon Inc. amounting to \$2,262,059 has been previously eliminated and was presented in the prior year non-consolidated financial statements at net amount. Since, these financial statements has been prepared in a non-consolidated basis and 40782 Yukon Inc. is a separate legal entity (100% indirectly owned through 40925 Yukon Inc.), the First Nation presented this amount on a gross basis and have not been eliminated in the financial statements in accordance with Canadian generally accepted accounting principles. As a result, the prior year comparative financial statements have been restated to reflect these changes.

4. Restricted cash

This account consists of the following:

	<u>2011</u>	<u>2010</u>
Tax buy-out fund	\$ 3,713,426	\$ 3,589,187
Disbursement received from Vuntut Gwitchin Trust	2,825,337	2,867,749
Community Infrastructure Fund	2,500,000	2,000,000
Northern Housing Trust	720,364	1,205,966
Contingency Fund	426,756	339,651
Canada Mortgage and Housing Corporation reserves	102,062	72,700
	<u>\$ 10,287,945</u>	<u>\$ 10,075,253</u>

Tax Buy-out Fund

These are amounts received from the Government of Canada as compensation for changing certain income tax exemptions to taxable status. These funds are internally restricted by the First Nation.

Disbursement received from Vuntut Gwitchin Trust

These are distributions received from Vuntut Gwitchin Trust and these funds are internally restricted by the First Nation.

Community Infrastructure Fund

These are funds internally restricted by the First Nation for improvement of and to increase the development of public infrastructure.

Northern Housing Trust

The Northern Housing Trust was designed to help Northerners meet affordable housing needs. These funds must be spent on the projects and initiatives identified in the funding agreement with the First Nation.

Contingency Fund

These are funds allocated by the First Nation against any future possible losses.

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

4. Restricted cash (continued)

Canada Mortgage and Housing Corporation ("CMHC") Reserves

Pursuant to its agreement with CMHC, the First Nation is required to segregate funds for replacement and subsidy reserves. The expenditures from these funds are restricted by the terms of the agreement. Annual allocation of the replacement and subsidy reserves are charged against Canada Mortgage and Housing Corporation reserves in the non-consolidated statement of financial position.

5. Loans receivable

This account consists of the following:

	<u>2011</u>	<u>2010</u>
40782 Yukon Inc.	\$ 2,262,059	\$ 2,262,059
Yukon Indian Development Corporation ("YIDC")	<u>137,628</u>	<u>137,628</u>
	<u>\$ 2,399,687</u>	<u>\$ 2,399,687</u>

40782 Yukon Inc. ("40782")

40782 issued a promissory note in favour of the First Nation whereby the First Nation replaced its equity interest in the residual assets of Vuntut Development Corporation, which were not transferred to Vuntut Gwitchin Limited Partnership, with the note. The promissory note is non-interest bearing and there are no stated terms of repayment.

YIDC

The First Nation owns approximately 6% of the outstanding shares of YIDC. The loans receivable consists of dividends declared by YIDC and subsequently reinvested with YIDC. There are no stated terms of repayment existing for this receivable.

6. Long-term investments

This account consists of the following:

	<u>2011</u>	<u>2010</u>
First Nations Bank of Canada, <i>at cost</i>	\$ 500,002	\$ 500,002
40925 Yukon Inc., <i>at cost</i>	<u>(7,179)</u>	<u>(7,179)</u>
	<u>\$ 492,823</u>	<u>\$ 492,823</u>

First Nations Bank of Canada

The First Nation owns approximately 1.8% of the outstanding shares of the First Nations Bank of Canada. This investment has been recorded at cost.

40925 Yukon Inc.

This represents the investment in equity of 40925 Yukon Inc. The investment which is 100%-owned by the First Nation is recorded at cost.

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

7. Deferred revenue

Deferred revenue consists of the following:

	<u>2011</u>	<u>2010</u>
Government of the Yukon	\$ 796,269	\$ 1,340,209
Parks Canada	820,552	886,637
Personal income tax and First Nation GST	179,419	106,628
Others	39,457	35,611
	<u>\$ 1,835,697</u>	<u>\$2,369,085</u>

8. Long-term debts

Mortgages payable

Amounts shown as mortgages payable represent monies borrowed to finance house construction. The loans are secured by a mortgage to the lender on the land and buildings as well as a ministerial guarantee by the Government of Canada.

The balances and terms of the mortgages are as follows:

	<u>2011</u>	<u>2010</u>
Mortgage payable to First Nations Bank of Canada at \$592 monthly including interest at 2.99% due April 1, 2014	\$ 20,887	\$ 27,262
Mortgage payable to First Nations Bank of Canada at \$458 monthly including interest at 2.99% due April 1, 2014	16,183	21,123
Mortgage payable to First Nations Bank of Canada at \$406 monthly including interest at 2.99% due April 1, 2014	14,331	18,705
Mortgage payable to First Nations Bank of Canada at \$1,737 monthly including interest at 2.99% due April 1, 2014	149,611	165,755
Mortgage payable to Bank of Montreal at \$680 monthly including interest at 5.10% due June 1, 2011	37,178	43,324
Mortgage payable to First Nations Bank of Canada at \$758 monthly including interest at 3.30% due December 1, 2015	75,798	-
Mortgage payable to First Nations Bank of Canada at \$1,268 monthly including interest at 3.30% due December 1, 2015	103,964	-
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,901 blended monthly including interest at 4.30% due June 1, 2012	310,654	320,002
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,744 blended monthly including interest at 3.47% due June 1, 2013	320,680	330,375

VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

8. Long-term debts (continued)

Mortgage payable to Bank of Montreal at \$800 monthly including interest at 4.61% due December 1, 2010	-	81,708
Mortgage payable to Bank of Montreal at \$1,324 monthly including interest at 4.61% due December 1, 2010	-	114,809
	1,049,286	1,123,063
Loan payable to First Nations Bank of Canada at \$18,494 blended monthly including interest at 4.90% due December 1, 2011	2,100,959	2,216,531
	\$ 3,150,245	\$ 3,339,594

Estimated principal repayments are as follows:

FY 2011-2012	230,036
FY 2012-2013	492,377
FY 2013-2014	2,206,115
FY 2014-2015	120,378
FY 2015-2016	101,339
	<u>\$ 3,150,245</u>

These long-term debts are expected to be renewed by the First Nation at maturity date with the same comparable rate and payment terms.

9. Related party transactions

Porcupine Enterprises Ltd.

The First Nation has entered into contracts with Porcupine Enterprises Ltd. ("PEL"), 51%-owned by Vuntut Gwitchin Limited Partnership (a 100%-indirectly owned entity by the First Nation). In 2010, PEL had recorded revenues from these contracts amounting to \$847,714 (2009: \$36,570). Financial information was not available as at March 31, 2011.

Air North Partnership

Air North Partnership, 49%-owned by Vuntut Gwitchin Limited Partnership II (100% indirectly owned by the First Nation), provides transportation services to the First Nation at prevailing market rates. During the year, the total amount of transportation services incurred by the First Nation amounted to \$953,542 (2010: \$842,068).

10. Pension plan

The First Nation matches contributions made by employees, to a maximum of 5.5% of wages and salaries, to a defined contribution plan. During the year, the First Nation contributed \$120,122 (2010: \$129,229) in the plan.

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

11. Budget information

The budget figures have not been audited, reviewed or otherwise verified and consequently the auditors do not express an opinion on them.

12. Accumulated surplus

Movement and breakdown of the accumulated surplus are as follows:

	Surplus March 31, 2010	Annual surplus	Interfund transfer	Surplus March 31, 2011
Unrestricted surplus	\$ 2,473,335	\$ 667,613	\$ (272,240)	\$ 2,868,708
Appropriated surplus				
Community infrastructure	2,000,000	-	500,000	2,500,000
Contingency fund	339,652	-	87,105	426,757
VG Trust distributions	2,867,749	272,452	(314,865)	2,825,336
VG Business Trust distributions	180,059	-	-	180,059
Equity in tax buy-out fund	3,589,186	124,170	-	3,713,356
Equity in other investments	2,893,011	-	-	2,893,011
Equity in tangible capital assets	15,797,299	3,054,198	-	18,851,497
	<u>\$ 30,140,291</u>	<u>\$ 4,118,433</u>	<u>\$ -</u>	<u>\$ 34,258,724</u>

**VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

13. Expenses by object

Expenses of the First Nation categorized as to their object are as follows:

Administration	\$ 77,691
Honoraria	174,249
Interest and loan payments	152,595
Social Assistance	224,775
Telephone, internet and office supplies	128,341
Professional fees and consultants	976,377
Other	565,158
Repairs and maintenance	385,165
Equipment purchases	56,642
Materials and supplies	504,115
Training	615,060
Construction	2,721
Travel	252,106
Contracts	37,740
Wages and benefits	3,635,669
Equipment rental	67,568
Amortization	931,191
Advertising and donations	161,959
Rent and utilities	1,611,335
Vehicle	118,982
Property taxes	61,625
Insurance	84,332
	<u>\$ 10,825,396</u>

VUNTUT GWITCHIN FIRST NATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

14. Tangible capital assets

	<u>Beginning</u> <u>of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Amortization</u>	<u>End of year</u>
March 31, 2011					
<i>Cost:</i>					
CMHC houses	\$ 2,479,667	\$ 405,614	\$ -	\$ -	\$ 2,885,281
VGFN houses	13,708,063	1,005,450	-	-	14,713,513
Other buildings	9,777,029	1,466,213	-	-	11,243,242
Recreation facilities	873,595	-	-	-	873,595
Infrastructure	1,545,279	-	-	-	1,545,279
Tank farm	322,461	-	-	-	322,461
Equipment and furniture	873,579	97,220	(1,927)	-	968,872
Vehicles	657,621	79,701	(15,230)	-	722,092
	<u>30,237,294</u>	<u>3,054,198</u>	<u>(17,157)</u>	<u>-</u>	<u>33,274,335</u>
<i>Accumulated depreciation:</i>					
CMHC houses	(586,340)	-	-	(73,774)	(660,114)
VGFN houses	(5,521,003)	-	-	(347,592)	(5,868,595)
Other buildings	(2,796,426)	-	-	(308,548)	(3,104,974)
Recreation facilities	(563,900)	-	-	(15,485)	(579,385)
Infrastructure	(513,330)	-	-	(25,799)	(539,129)
Tank farm	(174,072)	-	-	(7,420)	(181,492)
Equipment and furniture	(602,024)	-	1,927	(64,033)	(664,130)
Vehicles	(343,306)	-	15,230	(88,541)	(416,617)
	<u>(11,100,401)</u>	<u>-</u>	<u>17,157</u>	<u>(931,192)</u>	<u>(12,014,436)</u>
Net book value	<u>\$ 19,136,893</u>	<u>\$ 3,054,198</u>	<u>\$ -</u>	<u>\$ (931,192)</u>	<u>\$ 21,259,899</u>
March 31, 2010					
<i>Cost:</i>					
CMHC houses	\$ 2,479,667	\$ -	\$ -	\$ -	\$ 2,479,667
VGFN houses	12,413,046	1,295,017	-	-	13,708,063
Other buildings	8,658,579	1,118,450	-	-	9,777,029
Recreation facilities	873,595	-	-	-	873,595
Infrastructure	1,545,279	-	-	-	1,545,279
Tank farm	322,461	-	-	-	322,461
Equipment and furniture	766,266	107,313	-	-	873,579
Vehicles	546,388	111,233	-	-	657,621
	<u>27,605,281</u>	<u>2,632,013</u>	<u>-</u>	<u>-</u>	<u>30,237,294</u>
<i>Accumulated depreciation:</i>					
CMHC houses	(514,935)	-	-	(71,405)	(586,340)
VGFN houses	(4,972,679)	-	-	(548,324)	(5,521,003)
Other buildings	(2,450,082)	-	-	(346,344)	(2,796,426)
Recreation facilities	(520,220)	-	-	(43,680)	(563,900)
Infrastructure	(474,698)	-	-	(38,632)	(513,330)
Tank farm	(157,948)	-	-	(16,124)	(174,072)
Equipment and furniture	(432,722)	-	-	(169,302)	(602,024)
Vehicles	(266,418)	-	-	(76,888)	(343,306)
	<u>(9,789,702)</u>	<u>-</u>	<u>-</u>	<u>(1,310,699)</u>	<u>(11,100,401)</u>
Net book value	<u>\$ 17,815,579</u>	<u>\$ 2,632,013</u>	<u>\$ -</u>	<u>\$ (1,310,699)</u>	<u>\$ 19,136,893</u>