

VUNTUT GWITCHIN FIRST NATION

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

1. Basis of presentation

These financial statements have been prepared on a non-consolidated basis and do not include the accounts of the First Nation's compensation fund, Vuntut Gwitchin Trust, Vuntut Gwitchin Business Trust, Vuntut Gwitchin Limited Partnership ("VGLP"), Vuntut Gwitchin Limited Partnership II ("VGLPII"), 40925 Yukon Inc., 40782 Yukon Inc. and 40936 Yukon Inc., all directly or indirectly 100%-owned by the First Nation.

These financial statements have been prepared for First Nation management and member purposes. As the financial statements have not been prepared for general purposes, some users may require further information. Consolidated financial statements for the First Nation have been prepared and the reader is referred to them.

2. Significant accounting policies

These financial statements have been prepared by First Nation management in accordance with standards generally accepted for governments in Canada. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Physical assets

Physical assets are stated at cost. The cost of houses built by the First Nation with the assistance of loans guaranteed by CMHC (see Note 6), are included in physical assets. The cost of houses built with funding provided by Indian Affairs is not included in physical assets.

Amortization

The First Nation does not amortize its physical assets except as noted. Amortization on houses which are part of the CMHC Housing program is recorded in an amount equal to the annual reduction of mortgage principal.

Inventory

Inventory is stated at the lower of cost and fair market value.

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2. Significant accounting policies (continued)

Revenue recognition

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

Surplus

All unexpended items of revenue are treated by the First Nation as surplus, except for certain physical projects where unexpended revenues are deferred until the project is complete.

Financial instruments

The First Nation's financial instruments consist of cash and term deposits, accounts receivable, accounts payable, amounts due to/from related parties and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. It is also management's opinion that the carrying values of these financial instruments approximate their fair values.

3. Reserves

Pursuant to its agreement with Canada Housing and Mortgage Corporation, the First Nation is required to segregate funds for replacement and subsidy surplus reserves. The expenditures from these funds are restricted by the terms of the agreement.

4. Loan receivable YIDC

The First Nation owns approximately 6% of the outstanding shares of Yukon Indian Development Corporation Ltd. ("YIDC"). The loan receivable results from dividends declared by YIDC and reinvested in YIDC. There are no terms for payment by YIDC for this amount

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5. Investment in First Nations Bank

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

6. Long-term debt

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>2009</u>	<u>2008</u>
Mortgage payable to Toronto Dominion Bank in monthly instalments of \$611, including interest at 4.35% per annum. Due April 1, 2009.	\$ 33,431	\$ 39,189
Mortgage payable to Toronto Dominion Bank in monthly instalments of \$474, including interest at 4.35% per annum. Due April 1, 2009.	25,903	30,364
Mortgage payable to Toronto Dominion Bank in monthly instalments of \$419, including interest at 4.35% per annum. Due April 1, 2009.	22,937	26,888
Mortgage payable to Toronto Dominion Bank in monthly instalments of \$1,851, including interest at 4.35% per annum. Due April 1, 2009.	181,327	193,383
Mortgage payable to the Bank of Montreal in monthly instalments of \$680, including interest at 5.1% per annum. Due June 1, 2011.	49,169	54,731

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6. Long-term debt (continued)

Mortgages payable (continued)

	<u>2009</u>	<u>2008</u>
Mortgage payable to the Bank of Montreal in monthly instalments of \$800 including interest at 4.61% per annum. Due December 1, 2010.	\$ 87,468	\$ 92,980
Mortgage payable to the Bank of Montreal in monthly instalments of \$1,324, including interest at 4.61% per annum. Due December 1, 2010.	125,251	135,240
Mortgage payable to Canada Housing and Mortgage Corporation in blended monthly instalments of \$1,901, including interest at 4.30% per annum. Due June 1, 2012.	309,239	318,675
Mortgage payable to Canada Housing and Mortgage Corporation in blended monthly instalments of \$1,744, including interest at 3.47% per annum. Due June 1, 2013.	<u>339,743</u>	<u>-</u>
	1,174,468	891,450
Loans payable		
Loan payable to Toronto Dominion Bank, payable in annual instalments of \$300,000, due May, 2009, at an interest rate of prime plus 1.00%.	300,000	600,000
Loan payable to First Nations Bank of Canada, payable in blended monthly instalments of \$18,494, including interest at 4.9% per annum. Due December, 2011.	<u>2,327,175</u>	<u>-</u>
	3,801,643	1,491,450
Amount due within one year	<u>480,499</u>	<u>358,272</u>
	<u>\$3,321,144</u>	<u>\$1,133,178</u>

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FOR THE YEAR ENDED MARCH 31, 2009

6. Long-term debt (continued)

Mortgages payable (continued)

Loans payable (continued)

Principal repayments scheduled for the next five years are as follows:

2010	-	\$ 480,499
2011	-	189,141
2012	-	2,177,436
2013	-	79,901
2014	-	83,449

7. Appropriated surplus

The First Nation has set aside certain amounts for future use.

Appropriated surplus consists of:

	<u>2009</u>	<u>2008</u>
Vuntut Gwitchin Trust distributions and interest thereon	\$3,039,404	\$3,374,344
Vuntut Gwitchin Business Trust distribution	180,059	-
Community infrastructure reserve	1,500,000	-
Contingency fund reserve	<u>271,145</u>	<u>-</u>
	<u>\$4,990,608</u>	<u>\$3,374,344</u>

8. Equity in tax buy-out

The equity in tax buy-out represents amounts received from the Government of Canada as compensation for changing certain income tax exemptions to taxable status.

9. Pension plan

The First Nation matches contributions made by employees, to a maximum of 5.5% per cent of salaries, to a defined contribution pension plan. During the year ended March 31, 2009, the First Nation expensed \$108,227 for pension contributions (year ended March 31, 2008 - \$112,743).

Peter Markila
Chartered Accountant

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10. Related party transactions

The First Nation has entered into contracts with Porcupine Enterprises Ltd. ("PEL"), 51%-owned by VGLP. During the year ended March 31, 2009, PEL had recorded revenues from these contracts of \$36,570 (year ended March 31, 2008 - \$270,229). Included in the First Nation's accounts payable and accrued liabilities is an amount of \$208,964 (March 31, 2008 - \$235,597), payable to PEL.

Air North Partnership, formerly Air North Charter & Training Ltd., 49%-owned by VGLP II, provides transportation services to the First Nation at prevailing market rates. During the year ended March 31, 2009, the total amount of transportation services provided was \$952,877 (\$841,984 for the year ended March 31, 2008).

The amount due from the First Nation's compensation fund is without interest or stated terms of repayment.

Included in the First Nation's accounts receivable is an amount of \$180,059 due from the Vuntut Gwitchin Business Trust. This amount is without interest or stated terms of repayment.