

VUNTUT GWITCHIN FIRST NATION

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

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.

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.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization.

Amortization of houses acquired under Canada Mortgage and Housing sponsored programs is provided on a declining balance basis over the estimated useful lives of the houses.

Amortization of other tangible capital assets is provided on a straight-line basis over the estimated useful lives of the assets as follows:

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

Inventory

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

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(CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2010

2. Significant accounting policies (continued)

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.

Surplus

All unexpended items of revenue are treated by the First Nation as surplus, except for certain 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 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. Changes in accounting policies

During the year, VGFN changed its accounting policies to comply with new Public Sector Accounting Board requirements. The changes made were with respect to capitalizing and not expensing tangible capital asset acquisitions, recording amortization on tangible capital assets, treating loans as balance sheet items and not recording loans obtained as revenue or expensing loan principal repayments. These changes were applied retroactively and resulted in increasing tangible capital asset balance by \$6,127,864, accumulated surplus by \$8,257,359 as at March 31, 2008 and increasing excess of revenue over expenditures for the year ended March 31, 2008 by \$2,129,495. Excess of revenue over expenditures for the year ended March 31, 2009 was decreased by \$1,071,255.

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FOR THE YEAR ENDED MARCH 31, 2010

4. CMHC 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.

5. Deferred revenue

Deferred revenue consists of the following:

|                         | <u>2010</u>         | <u>2009</u>         |
|-------------------------|---------------------|---------------------|
| Personal income tax     | \$ 106,628          | \$ 159,972          |
| Government of the Yukon | 1,340,209           | 1,965,824           |
| Parks Canada            | 886,637             | 952,722             |
| Others                  | <u>35,611</u>       | <u>33,609</u>       |
|                         | <u>\$ 2,369,085</u> | <u>\$ 3,112,127</u> |

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>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Mortgage payable to First Nations Bank of Canada in monthly instalments of \$592, including interest at 2.99% per annum. Due April 1, 2014. | \$ 27,262   | \$ -        |
| Mortgage payable to Toronto Dominion Bank in monthly instalments of \$611, including interest at 4.35% per annum. Due April 1, 2009.        | -           | 33,431      |

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED MARCH 31, 2010

6. Long-term debt

Mortgages payable (continued)

|  | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| Mortgage payable to First Nations Bank of Canada in monthly instalments of \$458, including interest at 2.99% per annum. Due April 1, 2014.  | \$ 21,123   | \$ -        |
| Mortgage payable to Toronto Dominion Bank in monthly instalments of \$474, including interest at 4.35% per annum. Due April 1, 2009.         | -           | 25,903      |
| Mortgage payable to First Nations Bank of Canada in monthly instalments of \$406, including interest at 2.99% per annum. Due April 1, 2014.  | 18,705      | -           |
| Mortgage payable to Toronto Dominion Bank in monthly instalments of \$419, including interest at 4.35% per annum. Due April 1, 2009.         | -           | 22,937      |
| Mortgage payable to First Nations Bank of Canada in monthly instalments of \$1,737 including interest at 2.99% per annum. Due April 1, 2014. | 165,755     | -           |
| 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     |
| Mortgage payable to the Bank of Montreal in monthly instalments of \$680, including interest at 5.1% per annum. Due June 1, 2011.            | 43,324      | 49,169      |

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FOR THE YEAR ENDED MARCH 31, 2010

|   |                    |                    |
|---|--------------------|--------------------|
| 6. Long-term debt (continued)   |                    |                    |
| Mortgages payable (continued)   |                    |                    |
|   | <u>2010</u>        | <u>2009</u>        |
| Mortgage payable to the Bank of Montreal in monthly instalments of \$800 including interest at 4.61% per annum. Due December 1, 2010.                           | \$ 81,708          | \$ 87,468          |
| Mortgage payable to the Bank of Montreal in monthly instalments of \$1,324, including interest at 4.61% per annum. Due December 1, 2010.                        | 114,809            | 125,251            |
| 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. | 320,002            | 309,239            |
| 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>330,375</u>     | <u>339,743</u>     |
|   | 1,123,063          | 1,174,468          |
| 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 1.0%.                        | -                  | 300,000            |
| 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>2,216,531</u>   | <u>2,327,175</u>   |
|   | <u>\$3,339,594</u> | <u>\$3,801,643</u> |

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FOR THE YEAR ENDED MARCH 31, 2010

6. Long-term debt (continued)

Loans payable (continued)

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

|      |   |            |
|------|---|------------|
| 2011 | - | \$ 189,390 |
| 2012 | - | 2,176,940  |
| 2013 | - | 79,233     |
| 2014 | - | 79,278     |
| 2015 | - | 72,259     |

7. 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.

8. 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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FOR THE YEAR ENDED MARCH 31, 2010

9. Tangible capital assets

|                                  | <u>Beginning<br/>of Year</u> | <u>Additions</u>    | <u>Amortization</u> | <u>End of<br/>Year</u> |
|----------------------------------|------------------------------|---------------------|---------------------|------------------------|
| <b>March 31, 2010:</b>           |                              |                     |                     |                        |
| <b>Cost:</b>                     |                              |                     |                     |                        |
| 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                         | <u>546,388</u>               | <u>111,233</u>      | <u>-</u>            | <u>657,621</u>         |
|                                  | <u>27,605,281</u>            | <u>2,632,013</u>    | <u>-</u>            | <u>30,237,294</u>      |
| <b>Accumulated amortization:</b> |                              |                     |                     |                        |
| 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                         | <u>266,418</u>               | <u>-</u>            | <u>76,888</u>       | <u>343,306</u>         |
|                                  | <u>9,789,702</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>\$ 1,310,699</u> | <u>\$19,136,893</u>    |
| <b>March 31, 2009:</b>           |                              |                     |                     |                        |
| <b>Cost:</b>                     |                              |                     |                     |                        |
| CMHC houses                      | \$ 2,479,667                 | \$ -                | \$ -                | \$ 2,479,667           |
| VGFN houses                      | 11,503,351                   | 909,695             | -                   | 12,413,046             |
| Other buildings                  | 7,298,783                    | 1,359,796           | -                   | 8,658,579              |
| Recreation facilities            | 873,595                      | -                   | -                   | 873,595                |
| Infrastructure                   | 1,545,279                    | -                   | -                   | 1,545,279              |
| Tank farm                        | 322,461                      | -                   | -                   | 322,461                |
| Equipment and furniture          | 503,564                      | 262,702             | -                   | 766,266                |
| Vehicles                         | <u>375,028</u>               | <u>171,360</u>      | <u>-</u>            | <u>546,388</u>         |
|                                  | <u>24,901,728</u>            | <u>2,703,553</u>    | <u>-</u>            | <u>27,605,281</u>      |
| <b>Accumulated amortization:</b> |                              |                     |                     |                        |
| CMHC houses                      | 447,552                      | -                   | 67,383              | 514,935                |
| VGFN houses                      | 4,476,156                    | -                   | 496,523             | 4,972,679              |
| Other buildings                  | 2,103,738                    | -                   | 346,344             | 2,450,082              |
| Recreation facilities            | 476,540                      | -                   | 43,680              | 520,220                |
| Infrastructure                   | 436,066                      | -                   | 38,632              | 474,698                |
| Tank farm                        | 141,824                      | -                   | 16,124              | 157,948                |
| Equipment and furniture          | 244,072                      | -                   | 188,650             | 432,722                |
| Vehicles                         | <u>211,779</u>               | <u>-</u>            | <u>54,639</u>       | <u>266,418</u>         |
|                                  | <u>8,537,727</u>             | <u>-</u>            | <u>1,251,975</u>    | <u>9,789,702</u>       |
| Net book value                   | <u>\$16,364,001</u>          | <u>\$ 2,703,553</u> | <u>\$ 1,251,975</u> | <u>\$17,815,579</u>    |

*Peter Markila*  
Chartered Accountant

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FOR THE YEAR ENDED MARCH 31, 2010

|                                   | <u>Surplus</u><br><u>March 31, 2009</u><br><u>(restated)</u> | <u>Annual</u><br><u>Surplus</u><br><u>(Deficit)</u> | <u>Interfund</u><br><u>Transfers</u> | <u>Surplus</u><br><u>March 31, 2010</u> |
|-----------------------------------|--|---|--------------------------------------|---|
| 10. Accumulated surplus           |  |   |                                      |   |
| Unrestricted surplus              | \$ 1,298,229   | \$ 2,927,370  | \$ (1,795,034)                       | \$ 2,430,565                            |
| Appropriated surplus:             |  |   |                                      |   |
| Community infrastructure          | 1,500,000  | -   | 500,000                              | 2,000,000                               |
| Contingency fund                  | 271,145  | -   | 68,507                               | 339,652                                 |
| VG Trust distributions            | 3,039,404  | 104,862   | (276,517)                            | 2,867,749                               |
| VG Business Trust distributions   | <u>180,059</u>   | <u>-</u>  | <u>-</u>                             | <u>180,059</u>                          |
|                                   | <u>4,990,608</u>   | <u>104,862</u>                                      | <u>291,990</u>                       | <u>5,387,460</u>                        |
| Equity in tax buy-out             | 3,570,952  | 18,234  | -                                    | 3,589,186                               |
| Equity in other investments       | 637,630  | -   | -                                    | 637,630                                 |
| Equity in tangible capital assets | <u>14,294,255</u>  | <u>-</u>  | <u>1,503,044</u>                     | <u>15,797,299</u>                       |
|                                   | <u>18,502,837</u>  | <u>18,234</u>                                       | <u>1,503,044</u>                     | <u>20,024,115</u>                       |
|                                   | <u>\$24,791,674</u>  | <u>\$ 3,050,466</u>                                 | <u>\$ -</u>                          | <u>\$27,842,140</u>                     |

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED MARCH 31, 2010

11. Consolidated expenses by object

|                               | <u>2010</u>         | <u>2009</u>         |
|-------------------------------|---------------------|---------------------|
| Wages and benefits            | \$ 3,294,670        | \$ 3,310,832        |
| Professional fees             | 104,223             | 110,922             |
| Rent and utilities            | 306,643             | 248,774             |
| Travel, freight and honoraria | 333,893             | 865,953             |
| Social assistance             | 202,343             | 130,390             |
| Consultants and contracts     | 1,018,205           | 796,138             |
| Materials and supplies        | 492,591             | 313,736             |
| Maintenance                   | 490,875             | 749,088             |
| Training                      | 704,900             | 599,524             |
| Fuel                          | 758,847             | 909,760             |
| Office and insurance          | 216,387             | 273,386             |
| Interest                      | 160,187             | 103,977             |
| Donations/public relations    | 97,045              | 212,724             |
| Elders' pension               | 160,000             | 155,000             |
| Amortization                  | 1,310,699           | 1,251,975           |
| Other                         | 331,503             | 291,747             |
|                               | <u>\$ 9,983,011</u> | <u>\$10,323,926</u> |

12. 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, 2010, PEL had recorded revenues from these contracts of \$847,714 (year ended March 31, 2009 - \$36,570).

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, 2010, the total amount of transportation services provided was \$842,068 (\$952,877 for the year ended March 31, 2009).

Included in the First Nation's consolidated accounts receivable is an amount of \$55,983 due from the compensation fund. This amount is without interest or stated terms of repayment.

Included in the First Nation's consolidated accounts receivable is an amount of \$186,713 due from the Vuntut Gwitchin Business Trust. This amount is without interest or stated terms of repayment.

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FOR THE YEAR ENDED MARCH 31, 2010

13. Pension plan

The First Nation matches contributions made by employees, to a maximum of 5.5% of salaries, to a defined contribution pension plan. During the year ended March 31, 2010, the First Nation expensed \$129,229 for pension contributions (year ended March 31, 2009 - \$108,227).

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.