

**VUNTUT GWITCHIN FIRST NATION  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**1. GENERAL**

The Vuntut Gwitchin First Nation (the "First Nation") is a First Nation government located in Old Crow, Yukon Territory in Canada. The First Nation is one of the "first four" First Nations to sign their Final Agreement and Self Government Agreement in 1993. The Final Agreement sets out the rights, titles and interests of the First Nation. The Self Government Agreement sets out the rights of the First Nation to govern itself. The First Nation provides various government programs and services to its citizens.

**2. BASIS OF PRESENTATION**

These non-consolidated 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").

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).

**3. 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) 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.

*d) 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.

*e) 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

*e) Tangible capital assets (continued)*

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

VGFN/CMHC 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
Construction in progress	No amortization until completion

*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 are less than the asset's carrying amount. Impairment losses are charged against the statement of operations.

*f) 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.

*g) 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.

*h) Retirement benefits*

Retirement benefits are charged as an expense in the non-consolidated statement of operations and surplus. Defined contribution plans are post-employment benefit plans under which the First Nation pays fixed contributions on a voluntary basis. The First Nation has no obligation to make any further payment once the contributions have been paid.

*i) 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.

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**4. RESTRICTED CASH**

This account consists of the following:

	<u>2014</u>	<u>2013</u>
Tax Buy-out Fund	\$ 81,778	\$ 79,458
Oil and Gas	583,170	566,628
Distributions from Vuntut Gwitchin Trust and Business Trust	1,398,766	1,351,837
Community Infrastructure Fund	-	2,543,375
Contingency Fund	322,808	619,672
Canada Mortgage and Housing Corporation reserves	164,847	174,295
	<u>\$ 2,551,369</u>	<u>\$ 5,335,265</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.

*Distributions from Vuntut Gwitchin Trust ("VGT") and Business Trust ("VGBT")*

These are distributions received from VGT and VGBT. 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.

*Contingency Fund*

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

*Canada Mortgage and Housing Corporation ("CMHC") Reserves*

Pursuant to its agreement, 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 CMHC reserves in the statement of financial position.

**5. LOANS RECEIVABLE**

This account consists of the following:

	<u>2014</u>	<u>2013</u>
40782 Yukon Inc.	\$ 3,200,000	\$ 3,200,000
40925 Yukon Inc.	2,262,059	2,262,059
Yukon Indian Development Corporation	137,628	137,628
	<u>\$ 5,599,687</u>	<u>\$ 5,599,687</u>

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**5. LOANS RECEIVABLE (continued)**

*40782 Yukon Inc.*

During 2013, a loan amounting to \$3,200,080 was granted to 40782 to fund its investment in Rivers Edge Partnership. These promissory notes are non-interest bearing and there are no stated terms of repayment.

*40925 Yukon Inc.*

40925 Yukon Inc. issued a promissory note amounting to \$2,262,059 in favour of the First Nation whereby the First Nation replaced its equity interest in the residual assets of Vuntut Development Corporation with the note.

*Yukon Indian Development Corporation ("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>2014</u>	<u>2013</u>
First Nations Bank of Canada, <i>at cost</i>	\$ 500,002	\$ 500,002
40925 Yukon Inc., <i>at cost</i>	1	1
	<u>\$ 500,003</u>	<u>\$ 500,003</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.

**7. DEFERRED REVENUE**

Deferred revenue consists of the following:

	<u>2014</u>	<u>2013</u>
Parks Canada	\$ 586,930	\$ 669,126
Government of Canada	5,811	23,482
Others	3,767	21,530
Council of Yukon First Nations	-	15,785
CMHC	-	9,700
Government of the Yukon	-	600
	<u>\$ 596,508</u>	<u>\$ 740,223</u>

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**8. 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>2014</u>	<u>2013</u>
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,470 blended monthly including interest at 1.67% due June 1, 2018	\$ 288,031	\$ 300,232
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,469 blended monthly including interest at 1.65% due June 1, 2017	275,829	288,822
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,720 blended monthly including interest at 2.18% due January 1, 2019	395,955	-
Mortgage payable to First Nations Bank of Canada at \$1,737 monthly including interest at 3.59% due April 1, 2018	98,217	115,861
Mortgage payable to First Nations Bank of Canada at \$1,268 monthly including interest at 3.30% due December 1, 2019	66,804	79,599
Mortgage payable to First Nations Bank of Canada at \$758 monthly including interest at 3.30% due December 1, 2015	54,987	62,153
Mortgage payable to Bank of Montreal at \$652 monthly including interest at 3.99% due June 1, 2016	16,873	23,905
Mortgage payable to First Nations Bank of Canada at \$592 monthly including interest at 2.99% due April 1, 2014	590	7,557
Mortgage payable to First Nations Bank of Canada at \$458 monthly including interest at 2.99% due April 1, 2014	457	5,855
Mortgage payable to First Nations Bank of Canada at \$406 monthly including interest at 2.99% due April 1, 2014	404	5,185
	<u>1,198,147</u>	<u>889,169</u>
Loan payable to First Nations Bank of Canada at \$17,118 blended monthly including interest at published rate plus 0.50% due December 15, 2016	<u>1,696,777</u>	<u>1,840,053</u>
	<u>\$ 2,894,924</u>	<u>\$ 2,729,222</u>

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**8. LONG-TERM DEBT (continued)**

Estimated principal and interest repayments are as follows:

FY 2014-2015	\$ 331,775
FY 2015-2016	298,289
FY 2016-2017	307,701
FY 2017-2018	306,480
Thereafter	<u>1,650,679</u>
	<u>\$ 2,894,924</u>

Interest expense for the year on outstanding debt amounted to \$98,682 (2013: \$103,331). These long-term debts are expected to be renewed by the First Nation at maturity date with the same comparable rates and payment terms.

**9. ACCUMULATED SURPLUS**

Movement and breakdown of the accumulated surplus are as follows:

	<u>2013</u>	<u>Net change</u>	<u>Inter-fund Transfer</u>	<u>2014</u>
Unrestricted surplus	\$ 274,015	(\$ 507,894)	(\$1,598,569)	(\$1,832,448)
Appropriated surplus:				
Community infrastructure	2,543,375	-	(2,543,375)	-
Contingency fund	619,675	95,334	(392,201)	322,808
VGT distributions	2,239,611	-	713,451	2,953,062
VGBT distributions	178,035	-	-	178,035
Tax buy-out fund	79,458	-	2,320	81,778
Oil and gas	566,628	-	16,542	583,170
Other investments	8,383,925	-	(2,262,560)	6,121,365
Tangible capital assets	23,271,695	-	6,064,392	29,336,087
	<u>\$ 38,156,417</u>	<u>(\$ 412,560)</u>	<u>\$ -</u>	<u>\$37,743,857</u>

**10. RELATED PARTY TRANSACTIONS**

Financial information as at March 31, 2014 of related parties as indicated below were not available at the issuance of the non-consolidated financial statements.

*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). For the year ended March 31, 2013, PEL had recorded revenues from these contracts amounting to \$1,588,205 (March 31, 2012: \$646,179). Financial information as at March 31, 2014 were not available at the issuance of these financial statements.

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**10. RELATED PARTY TRANSACTIONS (continued)**

*Air North Partnership ("ANP")*

ANP, 49%-owned by Vuntut Gwitchin Limited Partnership II (100%-indirectly owned entity by the First Nation), provides transportation services to the First Nation at prevailing market rates. For the year ended December 31, 2013, the amount of charter and scheduled services revenue reported by ANP that is attributable to the First Nation amounted to \$992,739 (2011: \$829,319).

**11. EMPLOYEES 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 ended March 31, 2014, the First Nation contributed \$161,975 (2013: \$153,360) in the plan.

**12. EXPENSES BY OBJECT**

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

	<u>2014</u>	<u>2013</u>
Wages and benefits (see Note 11)	\$ 5,279,840	\$ 4,552,406
Amortization	2,304,996	3,078,209
Repairs and maintenance	2,237,054	689,857
Rent and utilities	1,968,970	1,711,354
Professional fees and consultants	1,256,170	951,896
Training	459,929	694,062
Materials and supplies	371,877	387,820
Social assistance	320,240	244,196
Elders' pension	263,800	254,842
Travel	250,702	298,977
Honoraria	206,978	248,659
Telephone, internet and office supplies	184,449	174,482
Advertising and donations	157,910	92,368
Vehicle	140,715	323,930
Insurance	99,106	105,205
Interest and loan payments	98,682	103,331
Contingency fund	95,337	93,854
Property taxes	91,806	66,167
Contracts	71,875	40,376
Others	65,030	80,922
Administration	49,556	34,640
Equipment rental	26,643	69,373
	<u>\$ 16,001,665</u>	<u>\$ 14,296,926</u>

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**13. CONTINGENCIES**

*Yukon First Nation Implementation Fund Trust ("YFNIFT")*

Income distributions receivable by the First Nation amounting to \$342,408 as at March 31, 2014 and \$326,935 in March 31, 2013 were declared by the Trustees of YFNIFT. One of its objectives is to support Yukon First Nations to establish the entities required for a Yukon First Nation to carry out its responsibilities in implementing the Umbrella Final Agreement and a Yukon First Nation Final Agreement. This income distribution has not been recorded in the books as the likelihood of collecting these distributions is remote.

**14. SEGMENTED INFORMATION**

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. The First Nation has presented the financial information in segmented format in the schedules attached. For reporting purposes, the First Nation's operations and activities are organized and reported by service area.

Departments and activities for which they are responsible are reported in these services areas. The departments listed in Schedule A of the program schedules and the services that each department provides are listed below:

*Administration*

This department includes internal support and central services such as Finance, Administration and Information Technology.

*Natural and Cultural Resources*

The department is responsible for protecting and enhancing the cultural identity, traditional values and lifestyle of the First Nation's citizens.

*Health and Social*

The department renders health and social programs to its citizens. This includes, home and community care, community counselling, social assistance, elders programs, recreation, justice programs and other services and programs that promotes the well-being of the First Nation's citizens.

*Education*

To support the First Nation's citizens gain access to education and be reintroduced into the workforce by obtaining training with the qualifications and skills needed to pursue individual careers.

*Capital and Maintenance*

This department implements capital projects undertaken by the First Nation. This includes providing adequate and affordable housing to the First Nation's citizens.

*Government and Implementation*

Services related to governance function of the First Nation. This includes development of laws and regulations, approval of agreements and contracts, and other duties and responsibilities rendered by the different government branches of the First Nation.

Certain allocation methodologies are employed in the preparation of segmented financial information and program schedules.



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**15. CONTRACTUAL OBLIGATIONS**

The First Nation has entered into a lease agreement with VGLP, an indirectly owned partnership. This contractual obligation will become liabilities in the future when the terms of the contract is met. Disclosure relates to the unperformed portion of the contracts follows.

FY 2014-2015	\$	22,000
FY 2015-2016		22,000
FY 2016-2017		22,000
FY 2017-2018		22,000
Thereafter		106,333
	<u>\$</u>	<u>194,333</u>

**16. BUDGET INFORMATION**

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

**17. COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to conform to current year presentation.

**18. FUTURE CHANGES IN ACCOUNTING POLICIES**

PS 3450, Financial Instruments, which is effective for fiscal years beginning on or after April 1, 2016. Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the First Nation's accounting policy choices. The First Nation is currently assessing the impact of this change in accounting policy.

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**19. TANGIBLE CAPITAL ASSETS**

March 31, 2014	<u>Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Amortization</u>	<u>End of year</u>
<i>Cost:</i>					
Houses	\$ 18,743,176	\$ 2,747,908	\$ (152,981)	\$ -	\$ 21,338,103
Other buildings	11,837,640	58,210	-	-	11,895,850
Recreation facilities	873,595	236,891	-	-	1,110,486
Infrastructure	3,760,315	61,088	-	-	3,821,403
Tank farm	322,461	-	-	-	322,461
Equipment and furniture	1,096,090	555,125	-	-	1,651,215
Vehicles	1,321,453	13,552	-	-	1,335,005
Construction in progress	1,295,603	4,834,298	-	-	6,129,901
	<u>39,250,333</u>	<u>8,507,072</u>	<u>(152,981)</u>	<u>-</u>	<u>47,604,424</u>
<i>Accumulated depreciation:</i>					
Houses	(8,787,031)	-	15,298	(1,194,382)	(9,966,115)
Other buildings	(4,165,018)	-	-	(738,231)	(4,903,249)
Recreation facilities	(628,925)	-	-	(47,316)	(676,241)
Infrastructure	(645,973)	-	-	(94,008)	(739,981)
Tank farm	(204,663)	-	-	(16,123)	(220,786)
Equipment and furniture	(967,983)	-	-	(68,437)	(1,036,420)
Vehicles	(579,045)	-	-	(146,500)	(725,545)
	<u>(15,978,638)</u>	<u>-</u>	<u>15,298</u>	<u>(2,304,997)</u>	<u>(18,268,337)</u>
Net book value	<u>\$ 23,271,695</u>	<u>\$ 8,507,072</u>	<u>\$ (137,683)</u>	<u>\$ (2,304,997)</u>	<u>\$ 29,336,087</u>

March 31, 2013	<u>Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Amortization</u>	<u>End of year</u>
<i>Cost:</i>					
Houses	\$ 18,350,768	392,408	\$ -	\$ -	\$ 18,743,176
Other buildings	11,342,302	495,338	-	-	11,837,640
Recreation facilities	873,595	-	-	-	873,595
Infrastructure	1,545,279	2,215,036	-	-	3,760,315
Tank farm	322,461	-	-	-	322,461
Equipment and furniture	1,035,229	60,861	-	-	1,096,090
Vehicles	694,920	639,293	(12,760)	-	1,321,453
Construction in progress	808,244	487,359	-	-	1,295,603
	<u>34,972,798</u>	<u>4,290,295</u>	<u>(12,760)</u>	<u>-</u>	<u>39,250,333</u>
<i>Accumulated depreciation:</i>					
Houses	(6,975,242)	-	-	(1,811,789)	(8,787,031)
Other buildings	(3,432,486)	-	-	(732,532)	(4,165,018)
Recreation facilities	(594,096)	-	-	(34,829)	(628,925)
Infrastructure	(564,283)	-	-	(81,690)	(645,973)
Tank farm	(188,540)	-	-	(16,123)	(204,663)
Equipment and furniture	(725,253)	-	-	(242,730)	(967,983)
Vehicles	(433,289)	-	12,760	(158,516)	(579,045)
	<u>(12,913,189)</u>	<u>-</u>	<u>12,760</u>	<u>(3,078,209)</u>	<u>(15,978,638)</u>
Net book value	<u>\$ 22,059,609</u>	<u>\$ 4,290,295</u>	<u>\$ -</u>	<u>\$ (3,078,209)</u>	<u>\$ 23,271,695</u>