VUNTUT GWITCHIN FIRST NATION

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

1. Basis of presentation

These financial statements have been prepared on a non-consolidated basis and do not included the accounts of the First Nation's compensation fund or Vuntut Development Corporation, both 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.

Capital assets

Capital assets are stated at cost. The cost of houses built by the First Nation with the assistance of loans guaranteed by CMHC (see Note 5), are included in capital assets. The cost of houses built with funding provided by Indian Affairs is not included in capital assets.

Depreciation

The First Nation does not depreciate its capital assets except as noted. Depreciation 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.

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, except as noted above, are treated by the First Nation as surplus, except for certain capital projects where unexpended revenues are deferred until the project is complete.

Financial instruments

The First Nation's financial instruments consist of cash, accounts receivable, temporary and long-term investments, accounts payable, amounts due to 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.

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. Deferred charges

Deferred charges represents purchases of construction materials for projects that will be undertaken in future years.

5. 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:

	2003	2002
Mortgage payable to Toronto Dominion Bank in monthly instalments of $1,169, including interest at 5.9% per annum. Due June 1, 2002.	$ -	$ 4,570
Mortgage payable to Toronto Dominion Bank in monthly instalments of $651, including interest at 5.75% per annum. Due March 1, 2004.	64,144	68,186
Mortgage payable to Toronto Dominion Bank in monthly instalments of $505, including interest at 5.75% per annum. Due March 1, 2004.	49,700	52,832
Mortgage payable to Toronto Dominion Bank in monthly instalments of $447, including interest at 5.75% per annum. Due March 1, 2004.	44,010	46,783
Mortgage payable to Toronto Dominion Bank in monthly instalments of $2,025, including interest at 5.75% per annum. Due March 1, 2004.	255,841	265,310
Mortgage payable to the Bank of Montreal in monthly instalments of $707, including interest at 6.0% per annum. Due June 1, 2006.	77,133	81,633
Mortgage payable to the Bank of Montreal in monthly instalments of $930 including interest at 7.00% per annum. Due December 1, 2005.	113,735	117,858

5. Long-term debt (continued)

Mortgages payable (continued)

	2003	2002
Mortgage payable to the Bank of Montreal in monthly instalments of $1,514, including interest at 7.00% per annum. Due December 1, 2005.	$ 173,532	$ 181,009
	778,095	818,181
Loans payable		
Loan payable to Toronto Dominion Bank, payable in annual instalments of $334,800 due April 30, 2003, at an interest rate of 6.66%. Secured by a general security agreement.	334,800	669,600
Loan payable to Toronto Dominion Bank in monthly instalments of $30,203, due November 3, 2005, with interest at 8.75%. Secured by $871,257 of the cash and treasury bills of the compensation fund (see Note 3).	1,791,416	1,988,039
Loan payable to Toronto Dominion Bank in annual instalments of $36,176 due April 10, 2004, with interest at 8.65%.	72,342	108,518
	2,976,653	3,584,338
Amount due within one year	767,173	603,274
	$2,209,480	$2,981,064

5. Long-term debt (continued)

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

2004	-	$767,173
2005	-	434,502
2006	-	400,592
2007	-	403,001
2008	-	384,800

6. 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.