

**VUNTUT GWITCHIN FIRST NATION  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**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") 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).

**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 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>2012</u>	<u>2011</u>
Tax Buy-out Fund	\$ 3,842,411	\$ 3,713,426
Disbursement received from Vuntut Gwitchin Trust	2,554,396	2,825,337
Community Infrastructure Fund	2,500,000	2,500,000
Contingency Fund	516,850	426,756
Canada Mortgage and Housing Corporation reserves	131,933	102,062
Northern Housing Trust	152,010	720,364
	<u>\$ 9,697,600</u>	<u>\$ 10,287,945</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 are 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.

*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>2012</u>	<u>2011</u>
40782 Yukon Inc.	\$ 2,262,059	\$ 2,262,059
Yukon Indian Development Corporation	137,628	137,628
	<u>\$ 2,399,687</u>	<u>\$ 2,399,687</u>

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**5. LOANS RECEIVABLE (continued)**

*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.

*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>2012</u>	<u>2011</u>
First Nations Bank of Canada, <i>at cost</i>	\$ 500,002	\$ 500,002
40925 Yukon Inc., <i>at cost</i>	<u>1</u>	<u>1</u>
	<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>2012</u>	<u>2011</u>
Parks Canada	\$ 748,413	\$ 820,552
Government of the Yukon	11,130	75,905
Government of Yukon – Northern Housing Trust	152,010	720,364
Council of Yukon First Nations	72,107	–
Government of Canada	46,996	–
Personal income tax and First Nation GST	–	179,419
Others	<u>30,122</u>	<u>39,457</u>
	<u>\$ 1,060,778</u>	<u>\$ 1,835,697</u>

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**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>2012</u>	<u>2011</u>
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,744 blended monthly including interest at 3.47% due June 1, 2013	\$ 310,670	320,680
Mortgage payable to Canada Housing and Mortgage Corporation at \$1,901 blended monthly including interest at 4.30% due June 1, 2012	300,931	310,654
Mortgage payable to First Nations Bank of Canada at \$1,737 monthly including interest at 2.99% due April 1, 2014	132,996	149,611
Mortgage payable to First Nations Bank of Canada at \$1,268 monthly including interest at 3.30% due December 1, 2015	91,989	103,964
Mortgage payable to First Nations Bank of Canada at \$758 monthly including interest at 3.30% due December 1, 2015	69,093	75,798
Mortgage payable to Bank of Montreal at \$652 monthly including interest at 3.99% due June 1, 2016	30,666	-
Mortgage payable to First Nations Bank of Canada at \$592 monthly including interest at 2.99% due April 1, 2014	14,322	\$ 20,887
Mortgage payable to First Nations Bank of Canada at \$458 monthly including interest at 2.99% due April 1, 2014	11,097	16,183
Mortgage payable to First Nations Bank of Canada at \$406 monthly including interest at 2.99% due April 1, 2014	9,826	14,331
Mortgage payable to Bank of Montreal at \$680 monthly including interest at 5.10% due June 1, 2011	-	37,178
	<u>971,590</u>	<u>1,049,286</u>
Loan payable to First Nations Bank of Canada at \$17,118 blended monthly including interest at 3.50% due December 15, 2016	1,978,583	-
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
	<u>\$ 2,950,173</u>	<u>\$ 3,150,245</u>

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

Estimated principal and interest repayments are as follows:

FY 2012-2013	319,610
FY 2013-2014	319,610
FY 2014-2015	302,439
FY 2015-2016	301,501
FY 2016-2017 and thereafter	<u>1,707,013</u>
	<u>\$ 2,950,173</u>

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>2011</u>	<u>Net change</u>	<u>Inter-fund Transfer</u>	<u>2012</u>
Unrestricted surplus	\$ 2,868,708	\$ 2,458,797	\$(799,710)	\$ 4,527,796
Appropriated surplus:				
Community infrastructure	2,500,000	-	-	2,500,000
Contingency fund	426,757	90,093	-	516,850
Vuntut Gwitchin Trust distributions	2,825,336	(38,075)	-	2,787,261
Vuntut Gwitchin Business Trust distributions	180,059	(2,024)	-	178,035
Equity in tax buy-out fund	3,713,356	129,055	-	3,842,411
Equity in other investments	2,893,011	28,855	-	2,921,866
Equity in tangible capital assets	18,851,497	-	799,710	19,651,205
	<u>\$ 34,258,724</u>	<u>\$ 2,666,701</u>	<u>\$ -</u>	<u>\$36,925,424</u>

**10. 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). For the year ended March 31, 2011, PEL had recorded revenues from these contracts amounting to \$316,155 (March 31, 2010: \$847,714). Financial information was not available as at March 31, 2012.

*Air North Partnership*

Air North Partnership, 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. During the fiscal year, the total amount of transportation services incurred by the First Nation amounted to \$762,674 (2011: \$953,542).

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**11. 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 \$147,326 (2011: \$120,122) in the plan.

**12. EXPENSES BY OBJECT**

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

	<u>2012</u>	<u>2011</u>
Wages and benefits (see Note 11)	\$ 4,325,211	\$ 3,635,669
Rent and utilities	1,709,808	1,611,335
Amortization	970,275	931,191
Professional fees and consultants	844,217	976,377
Training	589,056	615,060
Repairs and maintenance	523,318	385,165
Materials and supplies	361,460	504,115
Travel	261,044	252,106
Social assistance	240,389	224,775
Honoraria	206,219	174,249
Telephone, internet and office supplies	156,377	128,341
Interest and loan payments	142,037	152,595
Vehicle	114,695	118,982
Insurance	97,223	84,332
Equipment purchases	72,779	56,642
Equipment rental	70,431	67,568
Advertising and donations	70,026	161,959
Property taxes	66,119	61,625
Contracts	43,687	37,740
Administration	40,087	77,691
Construction	-	2,721
Others	332,044	565,158
	<u>\$ 11,236,502</u>	<u>\$ 10,825,396</u>

**13. BUDGET INFORMATION**

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

**14. COMPARATIVE INFORMATION**

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

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**15. PROGRAM STATEMENTS**

The accompanying schedules are provided for the benefit of funding agencies. They have been prepared using accounting policies set by the funding agencies and may not conform to those disclosed in Note 2 to the non-consolidated financial statements.

**16. CONTINGENCIES**

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

Income distributions payable to the First Nation amounting to \$307,639 in December 31, 2011 and \$288,525 in December 31, 2010 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.

**17. 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.

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**17. SEGMENTED INFORMATION (continued)**

*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.

**18. SUBSEQUENT EVENTS**

Subsequent to the end of the year, the First Nation entered into a loan agreement with 40782 Yukon Inc., an indirectly-owned subsidiary. The amount of the loan is for \$3,200,000, due on demand and bearing no interest.

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19. 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, 2012					
<i>Cost:</i>					
CMHC houses	\$ 2,885,281	\$ -	\$ -	\$ -	\$ 2,885,281
VGFN houses	14,713,513	751,974	-	-	15,465,487
Other buildings	11,243,242	99,060	-	-	11,342,302
Recreation facilities	873,595	-	-	-	873,595
Infrastructure	1,545,279	-	-	-	1,545,279
Tank farm	322,461	-	-	-	322,461
Equipment and furniture	968,872	73,536	(7,179)	-	1,035,229
Vehicles	722,092	37,171	(64,343)	-	694,920
Construction in progress	-	808,244	-	-	808,244
	<u>33,274,335</u>	<u>1,769,985</u>	<u>(71,522)</u>	<u>-</u>	<u>34,972,798</u>
<i>Accumulated depreciation:</i>					
CMHC houses	(660,114)	-	-	(77,697)	(737,811)
VGFN houses	(5,868,595)	-	-	(368,836)	(6,237,431)
Other buildings	(3,104,974)	-	-	(327,512)	(3,432,486)
Recreation facilities	(579,385)	-	-	(14,711)	(594,096)
Infrastructure	(539,129)	-	-	(25,154)	(564,283)
Tank farm	(181,492)	-	-	(7,048)	(188,540)
Equipment and furniture	(664,130)	-	7,179	(68,302)	(725,253)
Vehicles	(416,617)	-	64,343	(81,015)	(433,289)
	<u>(12,014,436)</u>	<u>-</u>	<u>71,522</u>	<u>(970,275)</u>	<u>(12,913,189)</u>
Net book value	<u>\$ 21,259,899</u>	<u>\$ 1,769,985</u>	<u>\$ -</u>	<u>\$ (970,275)</u>	<u>\$ 22,059,609</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>