

Ross River Dena Council
Consolidated Financial Statements
March 31, 2019

Management's Responsibility

To the Council on behalf of the members of Ross River Dena Council:

The accompanying consolidated financial statements of Ross River Dena Council are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Ross River Dena Council Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Council on behalf of the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

 Chief

 Councillor

Independent Auditor's Report

To the Members of Ross River Dena Council:

Qualified Opinion

We have audited the consolidated financial statements of Ross River Dena Council (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, changes in its consolidated net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The financial information of the First Nation's government business entities has not been audited, rather they have only been subject to review procedures, and financial information was not available for the year ended March 31, 2019. As a result we could not acquire sufficient appropriate audit evidence to determine possible adjustments, if any, to investments in First Nation business entities and income or loss from investment in First Nation business entities, annual surplus and accumulated surplus were required for the years ended March 31, 2019 and 2018. The audit opinion on the consolidated financial statements for the year ended March 31, 2018 was also modified accordingly because of the possible effects of this limitation in scope.

Budget financial information of the First Nation had not been prepared and approved by Chief for the year ended March 31, 2019. As a result, we could not include budgeted financial information on the consolidated financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The consolidated financial statements of the First Nation for the year ended March 31, 2018 were audited by BDO Canada LLP of Whitehorse YT, Canada. BDO expressed a qualified opinion on those consolidated financial statements on September 24, 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations of the First Nation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, British Columbia

November 12, 2019

MNP LLP

Chartered Professional Accountants

Ross River Dena Council
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents	181,763	691,530
Accounts receivable (Note 3)	1,165,832	1,294,784
Investments (Note 4)	296,602	296,602
Investment in First Nation business entities (Note 5)	433,659	433,659
Total financial assets	2,077,856	2,716,575
Liabilities		
Accounts payable and accruals	681,022	1,379,926
Deferred revenue	20,000	20,000
Total of financial liabilities	701,022	1,399,926
Net financial assets	1,376,834	1,316,649
Non-financial assets		
Tangible capital assets (Schedule 1)	8,903,247	7,879,460
Accumulated surplus (Note 6)	10,280,081	9,196,109

Approved on behalf of the Council



Chief



Councillor

Ross River Dena Council
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	<i>Schedules</i>	2019	2018
Revenue			
Indigenous Services Canada (Note 10)		5,279,234	4,902,366
Health Canada		1,067,649	812,408
Yukon Government		854,191	639,746
Additional government funding			
Canadian Heritage		364,285	71,240
Council of Yukon First Nations		147,391	96,826
Other revenue		602,008	546,256
Administration fees		243,397	230,981
Investment income		80	134,138
Repayment of funding		(127,034)	(52,200)
Total revenue		8,431,201	7,381,761
Program expenses			
Heritage, Lands and Resources	3	1,071,694	734,463
Education	4	559,508	327,005
Health and Social Development	5	3,208,122	2,714,879
Housing, Property Management and Municipal	6	1,614,662	1,187,811
Finance and Executive	7	893,243	815,694
Total expenditures		7,347,229	5,779,852
Annual surplus		1,083,972	1,601,909
Accumulated surplus, beginning of year		9,196,109	7,594,200
Accumulated surplus, end of year (Note 6)		10,280,081	9,196,109

Ross River Dena Council
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2019

	2019	2018
Annual surplus	1,083,972	1,601,909
Purchases of tangible capital assets	(1,459,219)	(1,305,970)
Amortization of tangible capital assets	435,432	215,981
Increase in net financial assets	60,185	511,920
Net financial assets, beginning of year	1,316,649	804,729
Net financial assets, end of year	1,376,834	1,316,649

Ross River Dena Council
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	1,083,972	1,601,909
Non-cash items		
Amortization	435,432	215,981
Income from First Nation business entities	-	(121,505)
	1,519,404	1,696,385
Changes in working capital accounts		
Accounts receivable	128,952	(384,505)
Accounts payable and accruals	(698,904)	(915,439)
	949,452	396,441
Capital activities		
Purchases of tangible capital assets	(1,459,219)	(1,305,970)
Decrease in cash resources	(509,767)	(909,529)
Cash resources, beginning of year	691,530	1,601,059
Cash resources, end of year	181,763	691,530

Ross River Dena Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

1. Operations

The Ross River Dena Council (the "First Nation") is located in the Yukon Territory, and provides various services to its members. Ross River Dena Council includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

Operating Fund

Capital Fund

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Ross River Dena Council business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

Dena Nezziddi Development Corporation

Tu Lidlini Petroleum Corp.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at their fair value on the date of contribution.

All intangible assets and items inherited by the right of the First Nation, such as reserve land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements.

Ross River Dena Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies *(Continued from previous page)*

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Buildings	declining balance	5 %
Office equipment	declining balance	20 %
Vehicles	declining balance	30 %
Computer equipment	declining balance	30 %

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when assets' service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in surplus for the year.

The First Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2019, no liability for contaminated site exists.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation are determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated annual surplus.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

i) Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

iii) Rental income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

iv) Own source and other revenue

Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

v) Investment income

Investment income is recognized by the First Nation when investment income is earned.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 7. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated consolidated financial statements.

Ross River Dena Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published market prices. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

3. Accounts receivable

	2019	2018
Indigenous Services Canada	512,458	627,660
Grants receivable	367,799	173,327
Accounts receivable	250,714	224,339
Goods and Services Tax receivable	140,587	375,184
Due from employees	43,118	43,118
	1,314,676	1,443,628
Less: Allowance for doubtful accounts	148,844	148,844
	1,165,832	1,294,784

4. Investments

	2019	2018
Measured at cost:		
Yukon Indian Development Corporation - 6.2%	136,981	136,981
Kaska Drilling LP - 20%	1	1
Kaska Oil and Gas Services LP - 20%	159,619	159,619
Akita/Kaska Drilling Ltd. - 20%	1	1
	296,602	296,602

Ross River Dena Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Investments in First Nation business entities

The First Nation has investments in the following entities:

		<i>2019</i>
	<i>Investment cost</i>	<i>Cumulative share of earnings</i>
		<i>Total investment</i>
Wholly-owned Businesses:		
Dena Nezziddi Development Corporation	1	70,979
Significantly Influenced Businesses:		
Tu Lidlini Petroleum Corp. - 51%	204	362,475
	205	433,454
		433,659

		<i>2018</i>
	<i>Investment cost</i>	<i>Cumulative share of earnings</i>
		<i>Total investment</i>
Wholly-owned Businesses:		
Dena Nezziddi Development Corporation	1	70,979
Significantly Influenced Businesses:		
Tu Lidlini Petroleum Corp. - 51%	204	362,475
	205	433,454
		433,659

Financial statements are not yet available for 2019, as such the consolidated financial statements are qualified with respect to the equity pick up.

6. Accumulated surplus

Accumulates surplus is comprised of the following:

	<i>2019</i>	<i>2018</i>
Unrestricted surplus	943,465	882,990
Equity in investment in First Nation business entities	433,369	433,659
Equity in tangible capital assets	8,903,247	7,879,460
	10,280,081	9,196,109

Ross River Dena Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Heritage, Lands and Resources

Includes revenue and expenses related to conservation and stewardship of the First Nation's land and resources, as well as the activities related to the history of the First Nation.

Education:

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the First Nation

Health and Social Development

Includes revenue and expenses related to provision of health and social services to members of the community.

Housing, Property Management and Municipal

Includes revenue and expenses related to operations, maintenance and capital projects of the community.

Finance and Executive

Includes revenue and expenses related to administration of service delivery to the community.

8. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to *PS 3430 Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated. The new section establishes disclosure standards on contingent assets. The main features of this standard are as follows:

- A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

There was no material impact on the consolidated financial statements of adopting the new section.

9. Economic dependence

Ross River Dena Council receives a significant portion of its revenue from Indigenous Services Canada, Health Canada and Yukon Government as a result of agreements entered into with the Government of Canada/Yukon. The agreements administered by Indigenous Services Canada are under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's/Yukon's continued financial commitments as guaranteed by these treaties.

10. Indigenous Services Canada funding reconciliation

	2019	2018
ISC revenue per confirmation and per consolidated financial statements	5,279,234	4,902,366

11. Land Claims Negotiation and Transboundary Programs

In prior years, the First Nation received funds from the Government of Canada and other organizations for land claims negotiations. These amounts were included in revenue and have not been recorded as liabilities as it was anticipated that they would be offset against future land claims settlements.

The amounts under the terms of a funding agreement with Canada are \$2,300,000 plus interest of \$450,358 with respect to the land claim negotiation program and \$670,000 with respect to the transboundary program. An amount of \$3,800,606 plus interest of \$2,607,888 is with respect to amounts paid to the Council of Yukon First Nations for the First Nation, and \$1,270,002 plus interest of \$691,968 is with respect to loans to the Council of Yukon First Nations for Ross River Elders. The amounts are payable at the effective date a treaty is signed and will be deducted from any eventual land claim settlement.

The repayable amount of \$3,800,606 plus interest of \$2,607,888 with respect to loans to the Council of Yukon First Nations for the First Nation is being disputed by the First Nation and is currently the subject of litigation in the Supreme Court of Yukon. The outcome of this litigation is not determinable.

The First Nation also received \$191,700 in 2002 from the Kaska Dena Council, (of which the First Nation is a member), to enable the First Nation to prepare for, and participate in, the British Columbia Treaty Process. The amount is payable on the earliest of the following dates: the date a treaty signed by the negotiating parties takes effect, the twelfth anniversary of the date of the first loan advance by Canada to Kaska Dena Council, the seventh anniversary after the signing of an agreement in principle or the date the federal minister demands payment, from the Kaska Dena Council, due to default. These amount will be deducted from any eventual land claim settlement.

12. Comparative figures

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