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## Independent Auditor's Report

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### To The Members Of Moravian Of The Thames First Nation

We have audited the accompanying financial statements of Moravian of the Thames First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our qualified audit opinion.

**Independent  
Auditor's Report cont'd....**

*Basis for Qualified Opinion*

Under Section 3150 of the Public Sector Accounting Handbook, the Moravian Of The Thames First Nation is required to capitalize tangible capital assets and record the appropriate amortization on those assets. Tangible capital assets acquired prior to 1998 have not been capitalized, and as a result, no amortization has been recorded on these assets. Accordingly, we are unable to determine whether any adjustments might be necessary to tangible capital assets, net assets, expenses and revenue over expenditures.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of Moravian of the Thames First Nation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Other Matter*

Our audit was made for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.



**Sarnia, Ontario  
August 16, 2016**

**Chartered Accountants  
Licensed Public Accountants**

**Moravian Of The Thames First Nation**  
**Consolidated Statement Of Financial Position**  
**March 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Financial Assets</b>		
Cash (note 2)	\$ 2,986,760	\$ 2,739,426
Trust Funds in Ottawa (note 3)	170,717	168,345
Short-term investments (note 4)	1,181,404	1,171,894
Accounts receivable (note 5)	217,737	561,247
Investments (note 6)	3,394,836	3,364,381
Investments in government business enterprises (note 8)	900,261	857,498
Due from related company (note 7)	310,211	292,125
Loans receivable (note 9)	881,682	928,019
Less allowance for doubtful accounts (note 9)	<u>(881,682)</u>	<u>(928,019)</u>
<b>Total Financial Assets</b>	<b><u>9,161,926</u></b>	<b><u>9,154,916</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 10)	138,357	83,295
Payable to funding source (note 11)	79,553	26,592
Due to related company (note 7)	156	-
Deferred revenue (note 12)	323,438	263,273
Deposits on hand	24,458	21,598
Current portion of long-term debt (note 13)	694,681	392,241
Long-term debt (note 13)	<u>1,004,952</u>	<u>1,421,609</u>
<b>Total Liabilities</b>	<b><u>2,265,595</u></b>	<b><u>2,208,608</u></b>
<b>Net Financial Assets</b>	<b><u>6,896,331</u></b>	<b><u>6,946,308</u></b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 14)	6,924,664	7,001,324
Prepaid expenses	<u>24,457</u>	<u>41,932</u>
<b>Total Non-Financial Assets</b>	<b><u>6,949,121</u></b>	<b><u>7,043,256</u></b>
<b>Accumulated Surplus</b>	<b><u>\$ 13,845,452</u></b>	<b><u>\$ 13,989,564</u></b>

Contingent Liability (note 18)

On Behalf Of Moravian Of The Thames First Nation



**Moravian Of The Thames First Nation  
Consolidated Statement Of Operations  
For The Year Ended March 31, 2016**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
Revenue			
AANDC- Fixed	\$ 1,034,368	<b>\$ 1,034,368</b>	\$ 1,108,371
AANDC- Set	224,432	<b>231,606</b>	239,503
AANDC- Grant	324,884	<b>324,884</b>	324,699
Health Canada	1,032,347	<b>1,032,347</b>	953,553
OFNLP	735,000	<b>736,830</b>	736,717
AIAI	280,944	<b>280,944</b>	272,246
Stepping Stones	549,391	<b>657,620</b>	954,164
Provincial	303,453	<b>283,719</b>	244,404
Education	294,185	<b>294,185</b>	-
MCSS	180,000	<b>208,695</b>	219,394
SFNS	578,267	<b>601,387</b>	808,004
CMHC	122,433	<b>121,971</b>	123,306
Other	977,806	<b>1,127,690</b>	902,438
Rental	221,460	<b>236,318</b>	235,217
Administration	322,396	<b>353,607</b>	306,580
Repayable to Funding Source	-	<b>(68,070)</b>	(22,480)
Deferred Revenue- Beginning	230,066	<b>229,198</b>	113,054
Deferred Revenue- Ending	-	<b>(267,578)</b>	<b>(226,055)</b>
	<b><u>7,411,432</u></b>	<b><u>7,419,721</u></b>	<b><u>7,293,115</u></b>
Expenditures			
Administration	1,325,938	<b>1,100,485</b>	1,167,412
Economic development	311,680	<b>268,110</b>	317,320
Education	1,228,998	<b>1,274,502</b>	1,304,611
Childcare	429,399	<b>427,005</b>	415,221
Social services	529,206	<b>637,435</b>	610,187
Land and trust services	349,074	<b>214,935</b>	175,764
Health	1,273,302	<b>1,256,961</b>	1,161,425
Employment assistance	263,913	<b>246,575</b>	273,413
Community infrastructure	202,021	<b>238,512</b>	225,340
Community development	673,941	<b>585,866</b>	542,272
OFNLP	813,105	<b>664,276</b>	633,436
Amortization	-	<b>392,997</b>	<b>403,478</b>
	<b><u>7,400,577</u></b>	<b><u>7,307,659</u></b>	<b><u>7,229,879</u></b>
Annual Surplus	10,855	<b>112,062</b>	63,236
Loss On Investment		<b>(251,614)</b>	(295,186)
Prior Year Adjustments		-	(203)
CMHC Operating Deficit Deferral		<b>(22,250)</b>	(23,912)
Reserve Trust Fund		<b>2,372</b>	8,683
Replacement Reserve	<b><u>15,316</u></b>	<b><u>15,360</u></b>	
Accumulated Surplus (Deficit) at End of Year	\$ <b><u>10,855</u></b>	\$ <b><u>(144,114)</u></b>	\$ <b><u>(232,022)</u></b>

**Moravian Of The Thames First Nation**  
**Consolidated Statement Of Changes In Net Financial Assets**  
**For The Year Ended March 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Annual surplus (deficit)</b>	<b>\$ (144,114)</b>	<b>\$ (232,022)</b>
<b>Tangible capital assets:</b>		
Acquisition of tangible capital assets	(316,335)	(160,461)
Amortization of tangible capital assets	<u>392,997</u>	<u>403,478</u>
	<u>(67,452)</u>	<u>10,995</u>
Use of prepaid expenses	<u>17,475</u>	<u>(11,032)</u>
<b>Change in net financial assets</b>	<b>(49,977)</b>	<b>(37)</b>
<b>Change in accounting policy (note 19)</b>	<b>-</b>	<b>(204,280)</b>
<b>Net financial assets at beginning of year</b>	<b><u>6,946,308</u></b>	<b><u>7,150,625</u></b>
<b>Net financial assets at end of year</b>	<b><u>\$ 6,896,331</u></b>	<b><u>\$ 6,946,308</u></b>

**Moravian Of The Thames First Nation  
Consolidated Statement Of Cash Flows  
For The Year Ended March 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Cash Provided By (Used For)</b>		
<b>Operating Activities</b>		
Accumulated surplus (deficit)	\$ (144,114)	\$ (239,583)
Items not requiring cash:		
Loss on investment	251,614	295,186
Amortization	<u>392,997</u>	<u>403,478</u>
	<u>500,497</u>	<u>459,081</u>
Change in non-cash working capital items affecting operations:		
Accounts receivable	343,511	(6,755)
Due from related company	(18,086)	(223,849)
Prepaid expenses	17,475	(11,032)
Accounts payable and accrued liabilities	55,062	(210,617)
Due to related company	156	(2,723)
Forgivable loan with Naahii Eatery	-	2,723
Deposits on hand	2,860	1,850
Deferred revenue	60,165	144,473
Payable to funding source	<u>52,961</u>	<u>14,353</u>
	<u>1,014,601</u>	<u>167,504</u>
<b>Investing Activities</b>		
Trust funds in Ottawa	(2,372)	41,317
Short-term investments	(9,510)	(12,817)
Investments	(30,455)	(32,120)
Investments in government business enterprises	(294,377)	-
Purchase of tangible capital assets	<u>(316,335)</u>	<u>(160,461)</u>
	<u>(358,672)</u>	<u>(164,081)</u>
<b>Financing Activities</b>		
Long-term debt	<u>(114,218)</u>	<u>118,238</u>
<b>Increase In Cash Position</b>	<b>247,334</b>	<b>121,661</b>
<b>Cash Position, Beginning</b>	<b><u>2,739,426</u></b>	<b><u>2,617,765</u></b>
<b>Cash Position, Ending</b>	<b><u>\$ 2,986,760</u></b>	<b><u>\$ 2,739,426</u></b>

# **Moravian Of The Thames First Nation**

## **Notes To Financial Statements**

**March 31, 2016**

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### **1. Significant Accounting Policies**

#### **Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

#### **Reporting Entity**

The Moravian of the Thames First Nation reporting entity includes the Moravian of the Thames First Nation government and all related entities that are controlled by the First Nation.

#### **Principles of Consolidation**

These consolidated financial statements have been prepared in accordance with general accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, as well as the Year-End Reporting Handbook for First Nations, except for the fact that the First Nation has not accounted for tangible capital assets acquired prior to 1998 or amortization thereon.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

#### **Loans Receivable**

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management.

#### **Investments**

Investments in guaranteed investment certificates are recorded at cost plus accrued interest.

Investments in equity instruments quoted in an active market are carried at fair value. Transaction costs associated with the acquisition of these investments are recognized in net income in the period incurred. Changes in fair value are recorded in income at each balance sheet date.

#### **Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization of tangible capital assets is calculated by the diminishing balance method using the following rates:

Computers	30%
Equipment	20%
Furniture and fixtures	20%
Land improvements	20 years
Roads	8%
Fencing	10%
Band buildings	4%
Water system	4%
Infrastructure	4%
Vehicles	30%
Internet towers	10%

Notes continued on page 8....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

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**1. Significant Accounting Policies cont'd...**

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**Revenue Recognition**

Revenues are recognized in the period in which the transaction or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

**Government Business Enterprises**

The investment in Naahii Inc., and Naahii Grocery Store Inc. are accounted for using the modified equity basis which reflects Moravian of the Thames First Nation's investment in those enterprise's. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated.

**Financial Instruments**

The First Nation initially measures its financial instruments at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

Financial instruments measured at amortized cost include cash, trust funds, accounts receivable, investments, due to/from related parties, accounts payable and accrued liabilities, deferred revenue, and long-term debt.

Financial assets measured at amortized cost are tested for impairment at the end of each year, and the amount of any write-down, if any, is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement and the amount of reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that has previously been reported as a reduction in the asset and it does not exceed original cost.

**Use Of Estimates**

In preparing the consolidated financial statements for Moravian of the Thames First Nation, management is required 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 period. Items requiring the use of significant estimates include those related to useful lives of assets, allowance for doubtful accounts, accrued accounts payable and the fair value of financial instruments. Actual results could differ from these estimates.

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

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**2. Cash and Cash Equivalents** **2016** **2015**

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Under the terms of an agreement with Canada Mortgage and Housing Corporation, Moravian of the Thames First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund. Cash and cash equivalents is comprised of the following:

Externally Restricted		
Apartment Replacement Reserve	\$ 67,784	\$ 52,468
Internally Restricted		
Economic Development	25,130	21,798
Unrestricted		
Operating	<u>2,893,846</u>	<u>2,665,160</u>
Total Cash and Cash Equivalents	<u>\$ 2,986,760</u>	<u>\$ 2,739,426</u>

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**3. Trust Funds**

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	<b>March 31, 2015</b>	<b>Additions 2016</b>	<b>March 31, 2016</b>
Revenue	\$ 58,331	\$ 2,372	\$ 60,703
Capital	<u>110,014</u>	—	<u>110,014</u>
	<u>\$ 168,345</u>	<u>\$ 2,372</u>	<u>\$ 170,717</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

<b>4. Short-Term Investments</b>	<b>2016</b>	<b>2015</b>
OFNLP Future Generations Investment	\$ 717,764	\$ 711,986
Regular Investment	<u>463,640</u>	<u>459,908</u>
Total Investments	<u>\$ 1,181,404</u>	<u>\$ 1,171,894</u>

OFNLP money and other First Nation funds have been invested in several interest bearing vehicles that will become due at various times within the next 12 months.

Notes continued on page 10....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>5. Accounts Receivable</b>	<b>2016</b>	<b>2015</b>
Federal Funding		
INAC Transfer Payments	\$ <u>23,844</u>	\$ <u>40,311</u>
Provincial Funding		
Homemakers	<u>42,507</u>	<u>64,225</u>
Other grants	<u>27,000</u>	<u>20,040</u>
	<u>69,507</u>	<u>84,265</u>
Other Programs		
AIAI	<u>8,750</u>	<u>23,189</u>
CMHC Receivable	<u>-</u>	<u>52,231</u>
Other Receivables		
SFNS employment and training	<u>32,613</u>	<u>272,931</u>
Miscellaneous	<u>163,150</u>	<u>197,535</u>
Stepping Stones	<u>39,960</u>	<u>22,872</u>
	<u>235,723</u>	<u>493,338</u>
Water Fees	<u>9,048</u>	<u>6,603</u>
	<u>346,872</u>	<u>699,937</u>
Allowance for Doubtful Accounts	<u>129,135</u>	<u>138,690</u>
	<u>\$ 217,737</u>	<u>\$ 561,247</u>

Notes continued on page 11....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>6. Investments</b>	<b>2016</b>	<b>2015</b>			
OFNLP Future Generations Investment	<u>\$ 3,394,836</u>	<u>\$ 3,364,381</u>			
Gaming revenue and other Band funds have been invested in several interest bearing vehicles that will become due at various times.					
<b>7. Related Parties Transactions</b>	<b>2016</b>	<b>2015</b>			
The First Nation's advance and the amounts due from related companies are interest-free with no set terms of repayment. As of March 31, 2016, the balance owing (to)/from are as follows:					
Lunaapeew Development LP	<u>\$ (156)</u>	<u>\$ _____</u>			
Naahii Grocery Store Inc.	<u>\$ 49,539</u>	<u>\$ 2,507</u>			
Naahii Inc.	<u><u>260,672</u></u>	<u><u>289,618</u></u>			
	<u><u>\$ 310,211</u></u>	<u><u>\$ 292,125</u></u>			
<b>8. Investment in Enterprises</b>	<b>2016</b>	<b>2015</b>			
	Naahii Inc.	Naahii Grocery Store Inc.	Lunaapeew Development LP	Total	Total
Balance, beginning of year	<u>\$ 940,629</u>	<u>\$ (83,131)</u>	<u>\$ -</u>	<u>\$ 857,498</u>	<u>\$ 1,152,684</u>
Investment during the year			<u>294,377</u>	<u>294,377</u>	<u>-</u>
Share of net income (loss)	<u><u>(37,077)</u></u>	<u><u>(189,530)</u></u>	<u><u>(25,007)</u></u>	<u><u>(251,614)</u></u>	<u><u>(295,186)</u></u>
Balance, end of year	<u><u>\$ 903,552</u></u>	<u><u>\$ (272,661)</u></u>	<u><u>\$ 269,370</u></u>	<u><u>\$ 900,261</u></u>	<u><u>\$ 857,498</u></u>

Moravian Delaware Nation owns 100% of Naahii Inc., Naahii Grocery Store and Lunaapeew Development. Naahii Inc. is a plaza renting out space to companies in First Nation. Lunaapeew Development is a gas station. The initial investment with Naahii Inc, Naahii Grocery Store Inc. and Lunaapeew Development is \$1,599,832.

The income (loss) from the enterprises are reported on the statement of operations. Cash advances to or from the enterprises are recorded as an increase or decrease in the investment in the enterprises.

Notes continued on page 12....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>8. Investment in Enterprises cont'd...</b>	<b>2016</b>	<b>2015</b>
<b>Naahii Inc.</b>		
<b>Balance Sheet</b>		
Assets		
Accounts receivable	\$ 50,585	\$ 43,212
Due from related parties- Naahii Grocery Store Inc.	384,145	374,264
Property, plant and equipment	<u>1,019,369</u>	<u>1,065,692</u>
	<u><u>\$ 1,454,099</u></u>	<u><u>\$ 1,483,168</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$ 5,751	\$ 5,500
Bank overdraft	<u>1,972</u>	<u>85,940</u>
	<u><u>7,723</u></u>	<u><u>91,440</u></u>
Due to Moravian Band- related parties	260,671	289,618
Due to related party - Lunaapeew Development	4,555	-
Long-term debt	<u>277,598</u>	<u>161,482</u>
	<u><u>550,547</u></u>	<u><u>542,540</u></u>
Shareholders' Equity		
Capital Stock	100	100
Deficit	(267,974)	(230,899)
Contributed Surplus	<u>1,171,426</u>	<u>1,171,426</u>
	<u><u>903,552</u></u>	<u><u>940,627</u></u>
	<u><u>\$ 1,454,099</u></u>	<u><u>\$ 1,483,167</u></u>
<b>Results of Operations</b>		
Revenue		
Rental	\$ 30,552	\$ 26,020
Expenditures		
Honorarium	7,651	7,657
Utilities	4,458	7,674
Repairs and maintenance	300	1,639
Insurance	-	2,100
Bad debts	-	100,595
Interest on long-term debt	7,197	16,765
Interest and bank charges	70	963
Professional fees	724	5,350
Office supplies	906	78
Travel	-	510
Amortization	<u>46,323</u>	<u>48,700</u>
	<u><u>67,629</u></u>	<u><u>192,031</u></u>
Deficiency Of Revenues Over Expenditures	<u><u>\$ (37,077)</u></u>	<u><u>\$ (166,011)</u></u>

Notes continued on page 13....

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

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**8. Investment in Enterprises cont'd...** **2016**

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**Lunaapeew Development LP**

**Balance Sheet**

**Assets**

Cash	\$ 298,498
Accounts receivable	4,040
Due from related parties	43,407
Inventory	<u>24,501</u>
	<u>370,446</u>

Property, Plant and Equipment	<u>740,954</u>
	<u>\$ 1,111,400</u>

**Liabilities**

Accounts payable and accrued liabilities	\$ 36,644
Current portion of long-term debt	<u>805,386</u>
	<u>842,030</u>
Shareholders' Equity	
Retained Earnings	<u>269,370</u>
	<u>\$ 1,111,400</u>

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

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**8. Investment in Enterprises cont'd...** **2016**

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**Lunaapeew Development LP**

**Results of Operations**

Revenue	
Sales	\$ 229,037
Bank support funding	<u>92,786</u>
	<u>321,823</u>
Cost of Goods Sold	
Inventory, beginning	-
Purchases and freight	<u>253,481</u>
	<u>253,481</u>
Inventory, ending	<u>24,501</u>
	<u>228,980</u>
Gross Profit	<u>92,843</u>
Expenditures	
Amortization	13,636
Bank charges and interest	5,651
Board and travel	323
Wages	31,893
Miscellaneous	3,392
Fees and permits	8,835
Insurance	8,640
Office	4,939
Professional fees	19,555
Rent	7,931
Security	10,439
Telephone	128
Utilities	<u>2,488</u>
	<u>117,850</u>
Deficiency Of Revenues Over Expenditures	<u>\$ (25,007)</u>

Notes continued on page 15....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>8. Investment in Enterprises cont'd...</b>	<b>2016</b>	<b>2015</b>
<b>Naahii Grocery Store Inc.</b>		
<b>Balance Sheet</b>		
Assets		
Accounts receivable	\$ 327	\$ 131
Inventory	48,848	62,237
Prepaid expenses	900	900
	<u>50,075</u>	<u>63,268</u>
Property, plant and equipment	<u>265,971</u>	<u>315,243</u>
	<u><u>\$ 316,046</u></u>	<u><u>\$ 378,511</u></u>
Liabilities		
Bank overdraft	\$ 76,834	\$ 230
Accounts payable and accrued liabilities	29,949	44,641
	<u>106,783</u>	<u>44,871</u>
Advances From Shareholders	49,539	2,507
Due to Related Parties	392,384	374,264
Long-Term Debt	40,000	40,000
	<u>588,706</u>	<u>461,642</u>
Shareholders' Equity		
Capital Stock	100	100
Deficit	(406,589)	(217,060)
Contributed Surplus	133,829	133,829
	<u>(272,660)</u>	<u>(83,131)</u>
	<u><u>\$ 316,046</u></u>	<u><u>\$ 378,511</u></u>

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>8. Investment in Enterprises cont'd...</b>	<b>2016</b>	<b>2015</b>
<b>Naahii Grocery Store Inc.</b>		
<b>Results of Operations</b>		
Revenue		
Sales	\$ 402,738	\$ 319,779
Band support funding	-	240,000
Miscellaneous	-	6,648
	<u>402,738</u>	<u>566,427</u>
Cost of Sales		
Inventory, beginning	62,237	60,655
Purchases	<u>348,518</u>	<u>314,501</u>
	<u>410,755</u>	<u>375,156</u>
Inventory, ending	<u>48,848</u>	<u>62,237</u>
	<u>361,907</u>	<u>312,919</u>
Gross Profit	<u>40,831</u>	<u>253,508</u>
Expenditures		
Advertising	295	2,146
Amortization	<u>49,273</u>	<u>59,678</u>
Bad debts	-	91,165
Bank charges and interest	7,733	10,996
Equipment rental	-	2,316
Interest on long-term debt	<u>4,885</u>	<u>3,978</u>
Honorarium	-	500
Office	<u>4,639</u>	<u>2,498</u>
Professional fees	<u>9,789</u>	<u>12,713</u>
Rent	-	-
Repairs and maintenance	<u>4,715</u>	<u>2,842</u>
Sub-contract	<u>6,774</u>	<u>7,993</u>
Telephone	<u>3,565</u>	<u>2,482</u>
Utilities	<u>29,195</u>	<u>33,047</u>
Wages	<u>109,498</u>	<u>98,819</u>
	<u>230,361</u>	<u>331,173</u>
Deficiency Of Revenues Over Expenditures	\$ <u>(189,530)</u>	\$ <u>(77,665)</u>

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

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<b>9. Loans Receivable</b>	<b>2016</b>	<b>2015</b>
Housing loans	\$ 590,325	\$ 621,322
Sanitation loans	<u>131,105</u>	146,780
100% repayable	<u>150,839</u>	145,347
Custom and miscellaneous loans	<u>6,665</u>	6,863
Renovation loans	<u>2,748</u>	<u>7,707</u>
	<u>881,682</u>	928,019
Allowance for doubtful accounts	<u>881,682</u>	<u>928,019</u>
	\$ _____ -	\$ _____ -

Due to the history of poor collections and accountability, the above loans have been recognized as substantially doubtful.

During the year, \$61,784 (2015 - \$27,452) was collected or adjustments made on these loans and \$15,447 (2015 - \$NIL) were new loans added. Payments were applied to the appropriate loans and an adjustment was made to reduce the allowance. This recovery to the allowance is recognized as revenue in the Housing loan repayment program.

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<b>10. Accounts Payable and Accrued Liabilities</b>	<b>2016</b>	<b>2015</b>
Trades payable	\$ 135,856	\$ 80,416
Other accrued liabilities	<u>2,501</u>	<u>2,879</u>
	<u>\$ 138,357</u>	<u>\$ 83,295</u>

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

<b>11. Payable to Funding Source</b>	<b>2016</b>	<b>2015</b>
Federal government	\$ 53,849	\$ 19,519
Provincial government	<u>25,704</u>	<u>7,073</u>
	<u>\$ 79,553</u>	<u>\$ 26,592</u>

  

<b>12. Deferred Revenue</b>	<b>2016</b>	<b>2015</b>
Administration - police funds	\$ 1,777	\$ -
ASETS Childcare funding	6,642	15,215
ASETS CRF funding	14,629	5,308
ASETS EI Funding	2,709	6,055
Children's fund	15,297	-
Community health/CHR	-	4,011
Cultural Centre	-	15,610
Economic development	-	3,496
Energy plan	1,097	850
Governance Capacity Development	-	1,349
Headstart fundraising	18,119	23,360
Housing loan repayments	18,753	-
Land claims	64,819	-
Land Consultation	-	6,494
Language	43,984	-
Lifelong learning	23,353	91,301
New Relationships	3,669	-
Recreation	227	869
Rental properties	36,568	49,370
Youth Centre	16,160	6,778
CMHC	55,458	33,207
Other	<u>177</u>	<u>-</u>
	<u>\$ 323,438</u>	<u>\$ 263,273</u>

Notes continued on page 19....

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

<b>13. Long-Term Debt</b>	<b>2016</b>	<b>2015</b>
BMO Loan payable at 2.88%, repayable in monthly instalments of \$2,412 principal and interest, due February 22, 2017.	\$ 171,272	\$ 200,219
Mortgage payable at 1.92%, repayable in monthly instalments of \$1,099 principal and interest. The mortgage is due April 1, 2019.	246,044	254,432
Mortgage payable at 2.17%, repayable in monthly instalments of \$1,476 principal and interest. The mortgage is due December 1, 2020.	283,378	295,086
Mortgage payable at 2.65%, repayable in monthly instalments of \$5,170 principal and interest. The mortgage is due April 1, 2021.	548,519	595,394
Mortgage payable at 1.49%, repayable in monthly instalments of \$2,096 principal and interest. The mortgage is due January, 2017.	<u>450,420</u>	<u>468,719</u>
	1,699,633	1,813,850
Current portion	<u>694,681</u>	<u>392,241</u>
	<u><u>\$ 1,004,952</u></u>	<u><u>\$ 1,421,609</u></u>

The principal reduction required over the next five years are as follows:

<b>2016</b>	\$ 694,681
<b>2017</b>	73,897
<b>2018</b>	294,745
<b>2019</b>	298,193
<b>2020</b>	<u>338,118</u>
	<u><u>\$ 1,699,634</u></u>

Notes continued on page 20....

## 14. Tangible Capital Assets

Tangible Capital Assets	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Closing Balance	Opening Balance	Amortization	Closing Balance	Total	Total
							2016	2015
Computers	\$ 248,420	\$ 3,256	\$ 251,676	\$ 188,169	\$ 19,052	\$ 207,221	\$ 44,455	\$ 60,251
Equipment	573,022	4,009	577,031	442,497	5,988	448,485	128,546	130,525
Furniture and fixtures	86,929	15,724	102,653	46,404	11,250	57,654	44,999	40,525
Land improvements	25,009	-	25,009	2,500	1,250	3,750	21,259	22,509
Roads	384,617	-	384,617	203,828	14,463	218,291	166,326	180,789
Fencing	19,006	-	19,006	5,151	1,386	6,537	12,469	13,855
Build buildings	5,10,634	28,237	5,538,871	1,637,639	176,775	1,814,414	3,724,457	3,872,995
Water system	4,733,615	-	4,733,615	2,330,267	96,134	2,426,401	2,307,214	2,403,348
Infrastructure	251,981	-	251,981	109,695	5,691	115,386	136,595	142,286
Vehicles	496,402	-	496,402	389,226	32,153	421,379	75,023	107,176
Internet towers	40,129	-	40,129	13,065	2,706	15,771	24,358	27,064
Prior to March 31, 1998	1	1	1	1	1	1	1	1
	<u>12,369,765</u>	<u>51,226</u>	<u>12,420,991</u>	<u>5,368,441</u>	<u>366,848</u>	<u>5,735,289</u>	<u>6,685,702</u>	<u>7,001,324</u>
<b>Assets Under Construction</b>								
Construction of new homes	-	238,962	238,962	-	-	-	238,962	-
<b>Total</b>	<u>\$ 12,369,765</u>	<u>\$ 290,188</u>	<u>\$ 12,659,953</u>	<u>\$ 5,368,441</u>	<u>\$ 366,848</u>	<u>\$ 5,735,289</u>	<u>\$ 6,924,664</u>	<u>\$ 7,001,324</u>

Assets under construction having a value of \$238,962 have not been amortized. Amortization of these assets will commence when the asset is put into service.

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

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<b>15. Accumulated Surplus</b>	<b>2016</b>	<b>2015</b>
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Accumulated surplus consists of the following individual surplus funds, reserves and reserve funds:

**Surplus**

Invested in tangible capital assets	\$ 6,924,664	\$ 7,001,325
Equity in Lunaapeew Development LP	269,370	-
Equity in Naahii Inc.	903,552	940,627
Equity In Naahii Grocery Store Inc	<u>(272,660)</u>	<u>(83,131)</u>
	<b>\$ 7,824,926</b>	<b>\$ 7,858,821</b>

**Reserves**

Operating	\$ 5,782,025	\$ 5,909,930
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**Reserves Funds**

Trust	170,717	168,345
Replacement Reserve	<u>67,784</u>	<u>52,468</u>
	<b>\$ 238,501</b>	<b>\$ 220,813</b>

**Accumulated Surplus**

\$ 13,845,452	\$ 13,989,564
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<b>16. Expenses By Object</b>	<b>2016</b>	<b>2015</b>
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Administration	\$ 298,515	\$ 254,716
Amortization	392,997	403,478
Bad debt	(12,000)	24,000
Interest on debt	32,108	34,760
Interest and bank charges	482	348
Office and other	316,681	311,323
Operations and maintenance	566,075	544,655
Professional services	120,465	117,154
Social assistance payments	-	-
Utilities	122,853	135,050
Program delivery	2,446,960	2,553,495
Travel	94,615	99,588
Wages and benefits	2,258,856	2,137,296
Community support	666,607	633,436
Writedown of accounts receivable	<u>2,445</u>	<u>(19,420)</u>
	<b>\$ 7,307,659</b>	<b>\$ 7,229,879</b>

Continued on page 22....

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

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**17. Segmented Information**

Moravian of the Thames First Nation is a diversified local government that provides a wide range of services to its members, including water, fire protection, technical services, recreation, social services, health services, education, social housing and economic development among others. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, requirements and limitations.

The First Nation's services are provided by departments and their activities are recorded in these funds. Certain departments that have been disclosed in the segmented information, along with the service they provide, are as follows:

**Administration**

Manages the administrative operations of the First Nation. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment.

**Economic Development**

Manages the development of the First Nation for the members, such as an energy plan, and tourism.

**Education**

Provides elementary and secondary education instructional services and provides financial support to students.

**Childcare**

Manages the activities of the First Nation's children's daycare program.

**Social Services**

Administers the provision of social assistance to qualifying members.

**Land and Trust Services**

Provides housing for members of the First Nation.

**Health**

Provides a variety of health care programs and support to First Nation members.

**Employment Assistance**

Provides employment assistance to members of the First Nation.

**Community Infrastructure**

Manages First Nation infrastructure programs including facilities operations and maintenance, capital projects, water and waste water plant operations and other related activities.

**Community Development**

Undertakes activities of the Munsee-Delaware Nation Service Club

**OFNLP**

Undertakes activities of the Ontario First Nation Limited Partnership fund, which derives revenue from gaming facilities located in the Province of Ontario.

Continued on page 23....

17. Segmented Information cont...

	Administration		Economic Development		Education		Childcare	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>								
AANDC	\$ 707,131	708,235	63,700	138,700	536,553	526,856	27,200	27,200
Union of Ontario Indians	35,000	34,806	-	-	-	-	-	-
AIAI	-	-	-	-	-	-	-	-
Health Canada	-	-	-	-	-	-	-	-
Provincial	-	-	195,936	158,000	-	-	-	-
Ministry of Education	-	-	-	-	-	-	294,185	-
MCSS	-	-	-	-	-	-	-	-
Stepping Stones	-	-	-	-	-	-	-	343,977
CMHC	-	-	-	-	-	-	-	-
Admin Fees	352,903	305,876	-	-	-	-	-	-
Rental	91,128	107,910	-	-	-	-	-	-
SFNS	125,345	79,102	-	-	476,042	728,902	-	-
OFNLIP	-	-	-	-	-	-	-	-
Other	205,154	128,890	21,032	2,600	125,100	169,175	72,617	75,282
	<u>1,516,660</u>	<u>1,364,818</u>	<u>280,668</u>	<u>299,300</u>	<u>1,137,695</u>	<u>1,424,933</u>	<u>414,187</u>	<u>446,459</u>
Repayable to funding source	(36,349)	0	18,631	-	-	-	-	-
Deferred revenue - beginning of year	1,349	5,135	10,840	13,860	91,301	-	15,215	7,073
Deferred revenue - end of year	(17,074)	(1,349)	(4,767)	10,840	23,353	91,301	6,642	254
Total revenues	<u>1,464,586</u>	<u>1,368,605</u>	<u>268,110</u>	<u>302,320</u>	<u>1,205,643</u>	<u>1,333,632</u>	<u>422,760</u>	<u>424,425</u>
<b>EXPENDITURES</b>								
Administration	18,802	12,499	25,635	13,683	45,063	25,105	37,158	37,158
Amortization	392,997	403,478	-	-	-	-	-	-
bad debt	12,000	24,000	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-	-	-
Interest and bank charges	482	348	-	-	-	-	-	-
Office, supplies and other	238,596	202,390	9,721	27,230	1,322	6,404	5,781	9,386
Operations and maintenance	238,762	244,217	3,496	4,288	84,980	87,783	22,692	21,263
Professional services	27,408	41,592	38,233	22,182	-	-	-	-
Social assistance payments	-	-	-	-	-	-	-	-
Utilities	16,060	19,460	-	1,040	4,956	9,806	6,431	6,580
Program delivery	83,398	101,123	21,565	95,142	967,134	1,019,092	159,731	183,363
Travel	37,641	46,991	10,255	7,751	2,575	11,413	-	165
Wages and benefits	449,005	474,828	159,225	146,004	168,472	145,007	195,213	157,305
Write-down of accounts receivable	2,331	-	-	-	-	-	-	-
Total expenses	<u>1,493,482</u>	<u>1,570,925</u>	<u>268,110</u>	<u>317,320</u>	<u>1,274,502</u>	<u>1,304,611</u>	<u>427,005</u>	<u>415,221</u>
Loss on investment	(251,614)	(51,509)	-	-	-	-	-	-
<b>EXCESS SURPLUS (DEFICIENCY)</b>	<b>\$ (280,510)</b>	<b>(233,829)</b>	<b>-</b>	<b>15,000</b>	<b>68,859</b>	<b>29,021</b>	<b>-</b>	<b>4,245</b>
<b>OF REVENUE OVER EXPENDITURES</b>	<b>\$</b>	<b>(280,510)</b>	<b>(233,829)</b>	<b>-</b>	<b>15,000</b>	<b>68,859</b>	<b>29,021</b>	<b>-</b>
								<b>9,204</b>

Notes continued on page 24 \*\*\*

17. Segmented Information cont..

	Social Services		Land and Trust Services		Health		Employment Assistance	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>								
AANDC	\$		28,377	25,470			11,400	11,400
Union of Ontario Indians					236,944	237,440		
AIAI					1,032,347	953,553		
Health Canada								
Provincial								
Ministry of Education								
MCSS	637,435	610,187	112,201	111,926			9,770	11,380
Stepping Stones			704	704				
CMHC			139,003	121,084				
Admin Fees								
Rental								
SFNIS								
OFNLP								
Other			48,126	27,424			231,380	231,858
	637,435	610,187	328,411	286,609	1,269,291	1,190,993	252,550	254,638
Repayable to funding source								
Deferred revenue - beginning of year			49,370	36,565	13,090	15,109		
Deferred revenue - end of year			55,322	49,370	4,011	2,184	11,363	14,450
							4,011	17,339
<b>Total revenues</b>	<b>637,435</b>	<b>610,187</b>	<b>322,460</b>	<b>273,804</b>	<b>1,260,212</b>	<b>1,174,056</b>	<b>246,575</b>	<b>257,725</b>
<b>EXPENDITURES</b>								
Administration			12,157	10,447	101,900	99,769	24,568	21,685
Amortization								
bad debt								
Interest on debt			32,108	34,760				
Interest and bank charges								
Office and other	13,362	11,198	13,466	9,705	11,533	31,542		
Operations and maintenance			67,134	47,430	22,494	21,262		
Professional services			3,100	3,100	51,733	49,322		
Social assistance payments								
Utilities			18,699	20,742	20,017	23,808		
Program delivery	530,404	499,150	22,037	394,717	326,193	185,565	202,080	
travel	7,108	3,107	6,300	3,118	23,538	23,649		
Wages and benefits	86,561	96,732	39,933	46,462	631,019	585,881	36,442	49,648
Write-down of accounts receivable								
Total expenses	637,435	610,187	214,935	175,764	1,256,961	1,161,425	246,575	273,413
Prior year adjustment							203	
CMHC Operating surplus reallocation								
<b>EXCESS SURPLUS (DEFICIENCY) OF</b>								
<b>REVENUE OVER EXPENDITURES</b>	<b>\$</b>	<b></b>	<b>85,274</b>	<b>66,566</b>	<b>3,251</b>	<b>12,428</b>	<b>-</b>	<b>15,668</b>

Notes continued on page 25

**17. Segmented Information cont..**

	Community Infrastructure		Community Development		OFNLP	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
AANDC	\$ 154,323	164,567	52,174	70,145		
Union of Ontario Indians	-	-	-	-		
AIAI	-	-	9,000	-		
Health Canada	-	-	-	-		
Provincial	19,482	19,482	68,301	66,922		
Ministry of Education	-	-	-	-		
MCSS	-	-	208,695	219,394		
Stepping Stones	-	-	-	-		
CMHC	-	-	-	-		
Admin Fees	-	-	-	-		
Rental	-	-	6,183	6,223		
SFNS	-	-	-	-		
OFNLP	-	-	-	-		
Other	18,414	18,091	336,784	165,711	736,830	736,717
	<u>202,219</u>	<u>202,140</u>	<u>683,141</u>	<u>528,395</u>	<u>803,914</u>	<u>83,407</u>
Repayable to funding source						
Deferred revenue - beginning of year		0	-	297	-	-
Deferred revenue - end of year		-	45,748	44,619	-	-
Total revenues		<u>202,219</u>	<u>202,140</u>	<u>585,806</u>	<u>803,914</u>	<u>820,124</u>
EXPENDITURES						
Administration	25,744	25,805	7,500	8,600	-	-
Amortization	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-
Interest and bank charges	-	-	-	-	-	-
Office and other	8,035	4,511	14,846	8,956	-	-
Operations and maintenance	113,310	103,821	13,217	14,591	-	-
Professional services	-	-	-	958	-	-
Social assistance payments	-	-	-	-	-	-
Utilities	19,773	25,054	36,918	28,549	-	-
Program delivery	-	-	82,409	127,352	-	-
Travel	1,787	1,605	5,410	1,750	-	-
Wages and benefits	67,419	83,953	425,566	351,476	-	-
Community support	-	-	-	-	664,276	633,336
Write-down of accounts receivable	2,445	19,420	585,866	542,272	<u>664,276</u>	<u>633,336</u>
Total expenses	<u>238,512</u>	<u>225,340</u>				
adjustment to prior year surplus						
EXCESS SURPLUS OF REVENUE OVER EXPENDITURES	\$ - 36,293	<u>- 23,200</u>	59	<u>- 16,172</u>	<u>139,638</u>	<u>186,687</u>

Notes continued on page 26

**Moravian Of The Thames First Nation  
Notes To Financial Statements  
March 31, 2016**

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**18. Contingent Liability**

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Moravian of the Thames First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

The First Nation has guaranteed housing loans, to a third party financial institution, for members living on the reserve. Total value for this program is \$500,000. As of the end of the year, no loans were in default. Any potential amounts required to be paid under this guarantee have not been reflected in the financial statements and will be charged to operations in the year incurred.

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**19. Change in Accounting Policy**

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The First Nation changed its method of recording the government business enterprises. Previously, the cost method was used to recognize investments in the Naahii companies. The First Nation now uses the modified equity basis to account for the investments, whereby they report the income/(loss) earned on the investment from its income statement and the reported value is based on the First Nation's share of the company assets which in this case is 100%. As a result of this change, when compared to the cost method, as at March 31, 2015 the changes in net financial assets has decreased by \$204,280, and investments in government business enterprises has decreased by \$447,957.

The effect of this change on the March 31, 2015 statement of income resulted in a decrease in net income of \$243,677. The effect on the comparable year is unknown because it has been determined that adjusting for it is impracticable to do so. This results in the March 31, 2014 year end figures not being comparable.

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**20. Financial Instruments Risks Disclosures**

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The main risks of Moravian of the Thames First Nation financial instruments are exposed to are credit risk, liquidity risk, and market risk each of which is discussed below.

**Credit Risk**

Moravian of the Thames First Nation is exposed to credit risk in the event of non-payment by their customers for their accounts receivable. Moravian of the Thames First Nation believes there is high risk associated with these amounts due to nonpayment's to housing loans.

**Liquidity Risk**

Liquidity risk relates to the risk the Moravian of the Thames First Nation will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Continued on page 27....

**Moravian Of The Thames First Nation**  
**Notes To Financial Statements**  
**March 31, 2016**

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**20. Financial Instruments Risks Disclosures cont'd...**

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**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

*Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of Moravian of the Thames First Nation financial instruments are in Canadian dollars and consequently is not subject to currency risk.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Moravian of the Thames First Nation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate

*Other Price Risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk and interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Moravian of the Thames First Nation is not exposed to other price risk.

**Changes in Financial Instruments Risks Disclosures**

There have been no significant changes in these risk exposures from the prior year.

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**20. Comparative Figures**

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The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.