

**Moravian Of The Thames First Nation**  
**Consolidated Financial Statements**  
**March 31, 2019**

# **Moravian Of The Thames First Nation**

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**March 31, 2019**

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## Management's Responsibility

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

The accompanying consolidated financial statements of Moravian Of The Thames First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management 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 Professional Accountants and as such include amounts that are the best estimates and judgments of management.

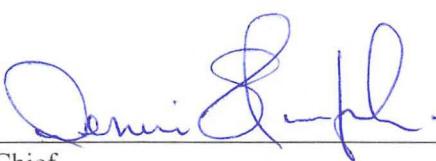
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Baker Tilly Sarnia LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Moravian Of The Thames First Nation and meet when required.

On Behalf of Moravian Of The Thames First Nation:

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Director of Operations

July 31, 2019

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**Independent Auditor's Report**

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**To The Members Of Moravian Of The Thames First Nation***Qualified Opinion*

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

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Basis for Qualified Opinion*

Under Section 3150 of the Public Sector Accounting Handbook, the 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.

The First Nation has investments in businesses and a partnership which are accounted for under the modified equity method. The businesses and partnership are carried at -\$512,150 on the statement of financial position and the net loss of \$575,208 is reported in the statement of operations for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these investments as at March 31, 2019 and the reported loss for the year. Consequently we were unable to determine whether any adjustments to those amounts were necessary.

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 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 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.

*Emphasis of Matter - Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting for CMHC specific housing assets and operations. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

AUDIT • TAX • ADVISORY

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



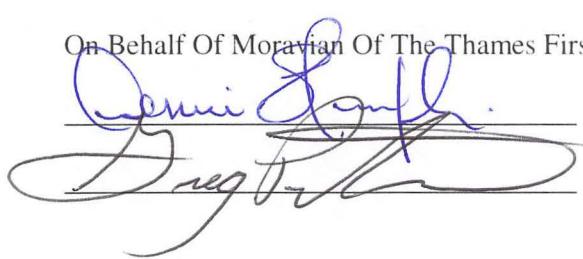
**Sarnia, Ontario  
July 31, 2019**

**Chartered Professional Accountants  
Licensed Public Accountants**

**Moravian Of The Thames First Nation  
Consolidated Statement Of Financial Position  
March 31, 2019**

	<b>2019</b>	<b>2018</b>
	(restated)	
<b>Financial Assets</b>		
Cash (note 2)	\$ 5,934,623	\$ 4,372,425
Trust funds in Ottawa (note 3)	183,555	178,796
Investments (note 4)	4,061,845	4,008,544
Accounts receivable (note 5)	1,120,016	573,797
Investment in related parties (note 6)	736,946	1,289,629
<b>Total Financial Assets</b>	<b><u>12,036,985</u></b>	<b><u>10,423,191</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	447,477	362,445
Payable to funding source (note 10)	127,495	71,173
Deferred revenue (note 11)	1,749,197	656,816
Deposits on hand	27,285	27,514
Long-term debt (note 12)	1,764,748	1,901,534
<b>Total Liabilities</b>	<b><u>4,116,202</u></b>	<b><u>3,019,482</u></b>
<b>Net Financial Assets</b>	<b><u>7,920,783</u></b>	<b><u>7,403,709</u></b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 13)	6,573,787	6,823,662
Prepaid expenses	36,050	33,511
<b>Total Non-Financial Assets</b>	<b><u>6,609,837</u></b>	<b><u>6,857,173</u></b>
<b>Accumulated Surplus (note 14)</b>	<b><u>\$ 14,530,620</u></b>	<b><u>\$ 14,260,882</u></b>
Contingencies (note 17)		

On Behalf Of Moravian Of The Thames First Nation



**Moravian Of The Thames First Nation**  
**Consolidated Statement Of Operations and Accumulated Surplus**  
**For The Year Ended March 31, 2019**

	<b>2019 Budget (unaudited)</b>	<b>2019</b>	<b>2018 (restated)</b>
<b>Revenue</b>			
ISC - Fixed	\$ 2,383,849	<b>\$ 2,383,849</b>	\$ 1,498,046
ISC - Flexible	86,267	<b>86,267</b>	243,230
ISC - Set	54,464	<b>54,464</b>	58,085
ISC - Grant	324,884	<b>324,862</b>	325,314
Health Canada	1,113,014	<b>1,113,014</b>	1,044,457
OFNLP	1,064,714	<b>1,058,702</b>	838,075
AIAI	376,162	<b>404,065</b>	356,417
Stepping Stones	555,961	<b>747,824</b>	656,010
Provincial	693,072	<b>703,872</b>	468,351
Education	596,380	<b>596,380</b>	309,935
MCSS	281,665	<b>268,697</b>	240,301
SFNS	877,008	<b>810,943</b>	799,963
CMHC	157,275	<b>143,271</b>	148,953
Other	767,542	<b>1,093,108</b>	1,213,903
Rental	257,804	<b>264,674</b>	233,826
Administration	590,000	<b>589,797</b>	491,513
Repayable to Funding Source	-	<b>(74,237)</b>	(24,424)
Deferred Revenue- Beginning	656,816	<b>656,816</b>	247,501
Deferred Revenue- Ending	-	<b>(1,748,409)</b>	<b>(656,816)</b>
	<b>10,836,877</b>	<b>9,477,959</b>	<b>8,492,640</b>
<b>Expenditures</b>			
Administration	1,733,130	<b>1,391,728</b>	1,202,937
Economic development	162,740	<b>171,671</b>	259,863
Education	1,768,482	<b>1,581,371</b>	1,452,773
Childcare	522,123	<b>452,162</b>	419,633
Social services	555,961	<b>692,665</b>	658,531
Land and trust services	1,157,410	<b>297,074</b>	300,079
Health	1,486,859	<b>1,470,160</b>	1,311,784
Employment assistance	319,474	<b>249,571</b>	262,511
Community infrastructure	254,730	<b>247,978</b>	212,940
Community development	1,577,556	<b>1,077,332</b>	734,071
OFNLP	1,222,568	<b>664,114</b>	651,093
Amortization	-	<b>392,649</b>	<b>393,105</b>
	<b>10,761,033</b>	<b>8,688,475</b>	<b>7,859,320</b>
Annual Surplus	\$ <b>75,844</b>	<b>789,484</b>	633,320
Loss on Business Enterprises and Partnerships (note 6)		<b>(575,208)</b>	(408,704)
CMHC Operating Surplus Deferral		<b>46,774</b>	21,207
CMHC Replacement Reserve		<b>8,688</b>	<b>5,377</b>
Accumulated Surplus		<b>269,738</b>	251,200
Accumulated Surplus at Beginning of the Year		<b>14,260,882</b>	<b>14,009,682</b>
Accumulated Surplus at End of the Year (note 14)		<b>\$14,530,620</b>	<b>\$14,260,882</b>

**Moravian Of The Thames First Nation**  
**Consolidated Statement Of Changes In Net Financial Assets**  
**For The Year Ended March 31, 2019**

	<b>2019 Budget</b> <b>(unaudited)</b>	<b>2019</b>	<b>2018</b> <b>(restated)</b>
<b>Annual surplus</b>	\$ -	\$ 269,738	\$ 251,200
<b>Tangible capital assets</b>			
Acquisition of tangible capital assets	-	(142,774)	(307,162)
Amortization of tangible capital assets	<u>-</u>	<u>392,649</u>	<u>393,105</u>
		<u>519,613</u>	<u>337,143</u>
Use of prepaid expenses	<u>-</u>	<u>(2,539)</u>	<u>(1,711)</u>
<b>Change in net financial assets</b>	-	<b>517,074</b>	335,432
<b>Net financial assets at beginning of year</b>	<u>-</u>	<u>7,403,709</u>	<u>7,068,277</u>
<b>Net financial assets at end of year</b>	\$ <u>    </u> <u>-</u>	\$ <u>7,920,783</u>	\$ <u>7,403,709</u>

**Moravian Of The Thames First Nation  
Consolidated Statement Of Cash Flows  
For The Year Ended March 31, 2019**

	<b>2019</b>	<b>2018 (restated)</b>
<b>Cash Provided By (Used For)</b>		
<b>Operating Activities</b>		
Surplus	\$ 269,738	\$ 251,200
Items not requiring cash:		
Loss on business enterprises & partnerships	575,208	408,704
Amortization	392,649	393,105
Increase in trust funds in Ottawa	<u>(4,759)</u>	<u>(4,309)</u>
	<u>1,232,836</u>	<u>1,048,700</u>
Change in non-cash working capital items affecting operations:		
Accounts receivable	(546,219)	(57,675)
Prepaid expenses	(2,539)	(1,711)
Accounts payable and accrued liabilities	85,032	211,378
Deposits on hand	(229)	1,942
Deferred revenue	1,092,381	409,315
Payable to funding source	<u>56,322</u>	<u>(50,358)</u>
	<u>1,917,584</u>	<u>1,561,591</u>
<b>Capital Activities</b>		
Purchase of tangible capital assets	<u>(142,774)</u>	<u>(307,162)</u>
<b>Investing Activities</b>		
Purchase of investments	(53,301)	(33,958)
Advances to related parties	<u>(22,525)</u>	<u>(114,370)</u>
	<u>(75,826)</u>	<u>(148,328)</u>
<b>Financing Activities</b>		
Issuance of long-term debt	-	134,000
Repayment of long-term debt	<u>(136,786)</u>	<u>(126,831)</u>
	<u>(136,786)</u>	<u>7,169</u>
<b>Increase In Cash Position</b>	<b>1,562,198</b>	1,113,270
<b>Cash Position, Beginning</b>	<b>4,372,425</b>	3,259,155
<b>Cash Position, Ending</b>	<b>\$ 5,934,623</b>	<b>\$ 4,372,425</b>

**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
March 31, 2019**

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**1. Significant Accounting Policies**

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**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.

Consolidation with the CMHC financial statements differs from the Canadian public sector accounting standards as the First Nation is required to comply with the funding agreement between First Nation Section 95 Social Housing Operation and CMHC for those specific housing assets and operations.

**Reporting Entity**

The 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. It is the intent of the First Nation to accumulate this information in the next year to comply with these requirements under the Public Sector Accounting Board standards.

**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. Transaction costs associated with the acquisition of these investments are recognized in the statement of operations in the period incurred. Changes in fair value are recorded in the statement of operations at each statement of financial position date.

**Use Of Estimates**

In preparing the consolidated financial statements for the 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.

**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.

Notes continued on page 6....

**Moravian Of The Thames First Nation**  
**Notes To The Consolidated Financial Statements**  
**March 31, 2019**

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

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**Tangible Capital Assets**

Amortization of tangible capital assets is calculated by the declining balance method using the following rates, except where indicated otherwise:

Computers	30%
Equipment	20%
Furniture and fixtures	20%
Land improvements - straight-line	20 years
Roads	8%
Fencing	10%
CMHC buildings	Per Section 95 First Nation Housing agreement
Band buildings	4%
Water system	4%
Infrastructure	4%
Vehicles	30%
Internet towers	10%

**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., Naahii Grocery Store Inc. and Lunaapeew Development LP are accounted for using the modified equity basis which reflects the 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, accounts payable and accrued liabilities, payable to funding source 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 the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement and the amount of reversal is recognized in the statement of operations. 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.

Notes continued on page 7....

**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
March 31, 2019**

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**2. Cash and Cash Equivalents** 2019      2018

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the 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 Replacement and Subsidy Fund. Cash and cash equivalents is comprised of the following:

Externally Restricted			
CMHC Replacement Reserve	\$ 238,020	\$ 182,558	
Unrestricted			
Operating	<u>5,696,603</u>	<u>4,189,867</u>	
Total Cash and Cash Equivalents	<u>\$ 5,934,623</u>	<u>\$ 4,372,425</u>	

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**3. Trust Funds**

	March 31, 2018	Additions 2019	March 31, 2019
Revenue	\$ 68,782	\$ 4,759	\$ 73,541
Capital	<u>110,014</u>	—	<u>110,014</u>
	<u>\$ 178,796</u>	<u>\$ 4,759</u>	<u>\$ 183,555</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.

**4. Investments** 2019      2018

OFNLP Regular Investment	\$ 739,667	\$ 730,001
OFNLP Future Generations Investment	<u>2,844,389</u>	2,806,999
Housing	<u>477,789</u>	<u>471,544</u>
Total Investments	<u>\$ 4,061,845</u>	<u>\$ 4,008,544</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 8....

**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
March 31, 2019**

<b>5. Accounts Receivable</b>	<b>2019</b>	<b>2018</b>
<b>Federal Funding</b>		
Indigenous Services Canada	\$ <b>553,417</b>	\$ <b>53,936</b>
Other Grants	<u><b>20,204</b></u>	<u><b>20,204</b></u>
	<u><b>573,621</b></u>	<u><b>74,140</b></u>
<b>Provincial Funding</b>		
Ministry of Infrastructure		113,648
Homemakers	<b>59,058</b>	81,853
Ontario Power Authority	<b>60,807</b>	60,807
Other Grants	<u><b>91,656</b></u>	<u><b>80,100</b></u>
	<u><b>211,521</b></u>	<u><b>336,408</b></u>
<b>Other Programs</b>		
AIAI	<u><b>12,922</b></u>	<u><b>46,983</b></u>
<b>CMHC Receivable</b>	<u><b>76,314</b></u>	<u><b>4,034</b></u>
<b>Other Receivables</b>		
SFNS employment and training	<b>129,353</b>	40,213
Miscellaneous	<b>205,411</b>	120,673
Stepping Stones	<u><b>68,961</b></u>	<u><b>61,433</b></u>
	<u><b>403,725</b></u>	<u><b>222,319</b></u>
<b>Water Fees</b>	<u><b>13,950</b></u>	<u><b>14,838</b></u>
	<u><b>1,292,053</b></u>	<u><b>698,722</b></u>
<b>Allowance for Doubtful Accounts</b>	<u><b>172,037</b></u>	<u><b>124,925</b></u>
	<u><b>\$ 1,120,016</b></u>	<u><b>\$ 573,797</b></u>

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**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
March 31, 2019**

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<b>6. Investment in Related Parties</b>	<b>2019</b>	<b>2018</b>
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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, 2019, the balance owing (to)/from are as follows:

**Due from Related Companies**

Naahii Grocery Store Inc.	\$ 102,320	\$ 100,865
Lunaapeew Development LP	970,532	920,516
Naahii Inc.	<u>176,243</u>	<u>205,189</u>
	<u>1,249,095</u>	<u>1,226,570</u>

**Investment in Business Enterprises**

Naahii Grocery Store Inc.	(686,470)	(568,852)
Lunaapeew Development LP	(591,390)	(184,248)
Naahii Inc.	<u>765,711</u>	<u>816,159</u>
	<u>\$ 736,946</u>	<u>\$ 1,289,629</u>

	<b>Naahii Inc.</b>	<b>Naahii Grocery Store Inc.</b>	<b>Lunaapeew Development LP</b>	<b>Total</b>	<b>Total</b>
Balance (deficit), beginning of year	\$ 816,159	\$ (568,852)	\$ (184,248)	\$ 63,059	\$ 471,763
Share of net income (loss)	<u>(50,448)</u>	<u>(117,618)</u>	<u>(407,142)</u>	<u>(575,208)</u>	<u>(408,704)</u>
Balance (deficit), end of year	<u>\$ 765,711</u>	<u>\$ (686,470)</u>	<u>\$ (591,390)</u>	<u>\$ (512,149)</u>	<u>\$ 63,059</u>

Moravian Delaware Nation owns 100% of Naahii Inc., Naahii Grocery Store Inc. and Lunaapeew Development LP. Naahii Inc. owns and operates a commercial real estate development. Naahii Grocery Store Inc. operates a grocery store and Lunaapeew Development operates a gas station and Tim Hortons.

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.

**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
March 31, 2019**

<b>6. Investment in Related Parties cont'd...</b>	<b>2019</b>	<b>2018</b>
<b><i>Naahii Inc.</i></b>		
<b>Financial Position</b>		
Assets	<b>\$ <u>1,269,597</u></b>	<b>\$ <u>1,347,564</u></b>
Liabilities	<b>\$ <u>503,886</u></b>	<b>\$ <u>531,405</u></b>
Deficit	<b><u>765,711</u></b>	<b><u>816,159</u></b>
	<b><u>\$ 1,269,597</u></b>	<b><u>\$ 1,347,564</u></b>
<b>Results of Operations</b>		
Revenue	<b>\$ <u>26,128</u></b>	<b>\$ <u>26,020</u></b>
Expenditures	<b><u>76,576</u></b>	<b><u>79,540</u></b>
(Deficiency) Of Revenues Over Expenditures	<b><u>\$ (50,448)</u></b>	<b><u>\$ (53,520)</u></b>
<b><i>Naahii Grocery Inc.</i></b>		
<b>Financial Position</b>		
Assets	<b>\$ <u>164,179</u></b>	<b>\$ <u>240,198</u></b>
Liabilities	<b>\$ <u>850,649</u></b>	<b>\$ <u>809,050</u></b>
Deficit	<b><u>(686,470)</u></b>	<b><u>(568,852)</u></b>
	<b><u>\$ 164,179</u></b>	<b><u>\$ 240,198</u></b>
<b>Results of Operations</b>		
Revenue	<b>\$ <u>360,979</u></b>	<b>\$ <u>358,607</u></b>
Expenditures	<b><u>478,597</u></b>	<b><u>520,819</u></b>
(Deficiency) Of Revenues Over Expenditures	<b><u>\$ (117,618)</u></b>	<b><u>\$ (162,212)</u></b>
<b><i>Lunaapeew Development LP</i></b>		
<b>Financial Position</b>		
Assets	<b>\$ <u>1,311,136</u></b>	<b>\$ <u>1,468,130</u></b>
Liabilities	<b>\$ <u>1,902,526</u></b>	<b>\$ <u>1,652,377</u></b>
Capital	<b><u>(591,390)</u></b>	<b><u>(184,248)</u></b>
	<b><u>\$ 1,311,136</u></b>	<b><u>\$ 1,468,130</u></b>
<b>Results of Operations</b>		
Revenue	<b>\$ <u>7,002,541</u></b>	<b>\$ <u>7,059,860</u></b>
Expenditures	<b><u>7,409,683</u></b>	<b><u>7,252,832</u></b>
(Deficiency) Of Revenues Over Expenditures	<b><u>\$ (407,142)</u></b>	<b><u>\$ (192,972)</u></b>

The financial statements of Naahii Inc., Naahii Grocery Inc. and Lunaapeew Development LP are not audited.

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**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
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<b>7. Loans Receivable</b>	<b>2019</b>	<b>2018</b>
Housing loans	\$ <b>561,077</b>	\$ 568,312
Sanitation loans	<b>118,119</b>	118,923
100% repayable	<b>218,106</b>	230,291
Custom and miscellaneous loans	<u>(2,771)</u>	<u>1,519</u>
	<b>894,531</b>	919,045
Allowance for doubtful accounts	<b>894,531</b>	<b>919,045</b>
	\$ <u>      </u> -	\$ <u>      </u> -

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

During the year, \$26,239 (2018 - \$22,872) was collected or adjustments made on these loans and \$1,725 (2018 - \$51,115) 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>8. Accounts Payable and Accrued Liabilities</b>	<b>2019</b>	<b>2018</b>
Trades payable	\$ <b>445,503</b>	\$ 360,351
Other accrued liabilities	<u>1,974</u>	<u>2,094</u>
	<b>447,477</b>	<b>362,445</b>

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**9. Prior Period Adjustment**

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The financial statements for the year ended March 31, 2018 have been restated due to the adjustment of the loss for Lunaapeew Development LP. As a result, investment in related parties of \$1,612,393 has been restated to \$1,289,629; loss on business enterprises and partnerships of -\$85,940 has been restated to -\$408,704; accumulated surplus at the end of the year \$14,583,646 has been restated to \$14,260,882.

**Moravian Of The Thames First Nation  
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<b>10. Payable to Funding Source</b>	<b>2019</b>	<b>2018</b>
Federal government	\$ 45,664	\$ 45,451
Provincial government	73,822	25,722
Other	<u>8,009</u>	<u>-</u>
	<u>\$ 127,495</u>	<u>\$ 71,173</u>

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<b>11. Deferred Revenue</b>	<b>2019</b>	<b>2018</b>
ASETS Childcare funding	\$ 7	\$ 8,289
ASETS CRF funding	90,589	39,737
ASETS EI Funding	9,663	7,821
Child and family services	194,022	-
Culture center	17,279	14,833
Headstart fundraising	8,543	15,048
Immediate needs construction	730,500	-
Land claims	97,579	107,086
Loan repayments	26,310	19,506
Language immersion	41,970	-
Language project	32,753	-
Language support	15,000	-
Minor capital	233,580	85,151
New relationships	-	25,000
Other	27,083	79,952
Post secondary	88,826	-
Rental properties	28,499	11,163
Restorative justice	82,120	-
Waste site decommission	<u>24,874</u>	<u>243,230</u>
	<u>\$ 1,749,197</u>	<u>\$ 656,816</u>

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**Moravian Of The Thames First Nation**  
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<b>12. Long-Term Debt</b>	<b>2019</b>	<b>2018</b>
BMO loan payable at 3.40%, repayable in monthly instalments of \$2,412 principal and interest, due January 31, 2022.	\$ 86,842	\$ 115,790
BMO letter of credit. No terms of repayment.	40,000	40,000
Residential Housing Loan by CMHC under Section 95 of the National Housing Act - 1.50%, due July 1, 2022, monthly payments of \$1,641 principal and interest, secured by a Ministerial Guarantee from Indigenous Services Canada.	387,782	401,568
Residential Housing Loan by CMHC under Section 95 of the National Housing Act - 1.92%, due May 1, 2019, monthly payments of \$1,099 principal and interest, secured by a Ministerial Guarantee from Indigenous Services Canada.	219,851	228,746
Residential Housing Loan by CMHC under Section 95 of the National Housing Act - 1.30%, due April December 1, 2020, monthly payments of \$1,361 principal and interest, secured by a Ministerial Guarantee from Indigenous Services Canada.	244,670	257,737
Residential Housing Loan by CMHC under Section 95 of the National Housing Act - 1.11%, due April April 1, 2021, monthly payments of \$4,796 principal and interest, secured by a Ministerial Guarantee from Indigenous Services Canada.	391,900	444,794
Residential Housing Loan by CMHC under Section 95 of the National Housing Act - 1.46%, due April March 1, 2022, monthly payments of \$2,090 principal and interest, secured by a Ministerial Guarantee from Indigenous Services Canada.	393,703	412,899
Current portion	1,764,748	1,901,534
	<u>388,948</u>	<u>173,188</u>
	<u><b>\$ 1,375,800</b></u>	<u><b>\$ 1,728,346</b></u>

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

<b>2019</b>	\$ 388,948
<b>2020</b>	348,463
<b>2021</b>	682,170
<b>2022</b>	<u>345,167</u>
	<u><b>\$ 1,764,748</b></u>

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**Moravian Of The Thames First Nation**  
**Notes To The Consolidated Financial Statements**  
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**13. Tangible Capital Assets**

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Net Additions	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2019	Total 2018
<b>Tangible Capital Assets</b>								
Computers	\$ 274,852	\$ 33,190	\$ 308,042	\$ 239,301	\$ 20,622	\$ 259,923	\$ 48,119	\$ 35,551
Equipment	677,051	42,681	719,732	520,018	39,943	559,961	159,771	157,033
Furniture and fixtures	110,453	-	110,453	75,414	7,008	82,422	28,031	35,039
Land improvements	25,009	-	25,009	6,252	1,250	7,502	17,507	18,757
Roads	384,617	-	384,617	243,839	11,262	255,101	129,516	140,778
Fencing	38,431	10,293	48,724	10,849	3,788	14,637	34,087	27,582
Band & CMHC buildings	6,071,579	33,976	6,105,555	2,191,976	195,956	2,387,932	3,717,623	3,879,603
Water system	4,888,661	-	4,888,661	2,613,489	91,007	2,704,496	2,184,165	2,275,172
Infrastructure	326,739	22,634	349,373	129,086	8,812	137,898	211,475	197,653
Vehicles	496,402	-	496,402	459,639	11,028	470,667	25,735	36,763
Internet towers	40,129	-	40,129	20,399	1,973	22,372	17,757	19,730
Prior to March 31, 1998	1	-	1	-	-	-	1	1
<b>Total</b>	<b>\$ 13,333,924</b>	<b>\$ 142,774</b>	<b>\$ 13,476,698</b>	<b>\$ 6,510,262</b>	<b>\$ 392,649</b>	<b>\$ 6,902,911</b>	<b>\$ 6,573,787</b>	<b>\$ 6,823,662</b>

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**Notes To The Consolidated Financial Statements**  
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<b>14. Accumulated Surplus</b>	<b>2019</b>	<b>2018</b>
Accumulated surplus consists of the following individual surplus funds, reserves and reserve funds:		
<b>Internally restricted</b>		
Investment in Lunaapeew Development LP	\$ (591,391)	\$ (184,248)
Investment in Naahii Inc.	765,712	816,159
Investment In Naahii Grocery Store Inc	(686,470)	(568,852)
CMHC operating fund reserve	<u>140,778</u>	<u>94,004</u>
	<u>(371,371)</u>	<u>157,063</u>
<b>Externally restricted</b>		
Ottawa Trust Fund reserve	183,555	178,796
Replacement reserve	<u>238,020</u>	<u>182,558</u>
	<u>421,575</u>	<u>361,354</u>
<b>Unappropriated members' equity</b>		
Operating	7,906,629	6,818,803
Invested in tangible capital assets	<u>6,573,787</u>	<u>6,823,662</u>
	<u>14,480,416</u>	<u>13,642,465</u>
<b>Accumulated Surplus</b>	<b>\$ 14,530,620</b>	<b>\$ 14,160,882</b>
<b>15. Expenses By Object</b>	<b>2019</b>	<b>2018</b>
Administration	\$ 432,015	\$ 352,389
Amortization	392,649	393,104
Bad debt (recovery)	47,112	(10,000)
Interest on debt	23,897	24,365
Interest and bank charges	239	492
Office and other	255,161	252,586
Operations and maintenance	631,515	664,702
Professional services	468,105	191,318
Utilities	102,106	96,223
Program delivery	3,178,697	3,083,018
Travel	136,076	97,443
Wages and benefits	2,356,789	2,061,069
Community support	664,114	651,093
Writedown of accounts receivable	<u>-</u>	<u>1,518</u>
	<b>\$ 8,688,475</b>	<b>\$ 7,859,320</b>

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**Moravian Of The Thames First Nation  
Notes To The Consolidated Financial Statements  
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**16. Segmented Information**

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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**

Manages the activities of the First Nation's community services.

**OFNLP**

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

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**16. Segmented Information**

	Administration		Economic Development		Education		Childcare	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>								
ISC	\$ 775,375	980,783	63,700	63,700	674,608	722,679	27,200	32,300
Union of Ontario Indians								
AIAI	22,603	12,735			34,460	36,700	5,300	
Health Canada								
Provincial			90,000	128,807				
Ministry of Education	10,800				67,830		412,285	309,935
MCSS								
Stepping Stones								
CMHC								
Admin Fees	589,797	491,513						
Rental	109,899	84,684						
SFNS	102,224	102,224			708,720	697,739		
OFNLP								
Other	171,750	194,617	17,971	21,071	268,085	48,550	69,049	105,355
	1,782,448	1,866,556	171,671	213,578	1,753,703	1,505,668	513,834	447,590
Repayable to funding source	0	0		3,943			14,354	5,429
Deferred revenue - beginning of year	341,069	73,736		46,811	14,779		8,289	1,704
Deferred revenue - end of year	(282,556)	(341,069)			175,875	14,779	2,369	8,289
<b>Total revenues</b>	<b>1,840,960</b>	<b>1,599,224</b>	<b>171,671</b>	<b>256,446</b>	<b>1,592,608</b>	<b>1,490,889</b>	<b>505,400</b>	<b>435,577</b>
<b>EXPENDITURES</b>								
Administration	15,334	15,334	17,737	22,737	71,346	68,900	37,158	37,158
Amortization	392,649	393,105						
bad debt	48,000	10,000						
Interest on debt								
Interest and bank charges	239	492						
Office, supplies and other	144,068	172,965	1,339	4,973	2,917	1,366	10,544	7,029
Operations and maintenance	260,428	338,553	560	12,995	69,310	83,234	17,024	6,832
Professional services	338,720	34,308		34,904	38,890			
Social assistance payments								
Utilities	17,906	17,281			5,106	4,483	5,736	6,031
Program delivery	102,346	115,943	20,076	26,946	1,117,369	1,148,787	184,489	203,082
Travel	40,174	25,502	1,965	5,492		1,042	4,014	
Wages and benefits	424,513	492,559	129,993	151,816	276,433	144,960	193,198	159,501
Writedown of accounts receivable								
<b>Total expenses</b>	<b>1,784,376</b>	<b>1,596,042</b>	<b>171,671</b>	<b>259,863</b>	<b>1,581,371</b>	<b>1,452,773</b>	<b>452,162</b>	<b>419,633</b>
<b>Loss on investment</b>	<b>(575,208)</b>	<b>(408,704)</b>						
<b>Excess surplus (deficiency) of revenue over expenses</b>	<b>\$ (518,625)</b>	<b>(405,522)</b>	<b>0</b>	<b>(3,417)</b>	<b>11,237</b>	<b>38,116</b>	<b>53,238</b>	<b>15,944</b>

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**16. Segmented Information cont..**

	Social Services		Land and Trust Services		Health		Employment Assistance	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>								
ISC	\$ -	-	784,713	38,390	-	-	11,400	11,795
Union of Ontario Indians	-	-	-	-	-	-	-	-
AIAI	-	-	-	-	341,702	297,586	-	-
Health Canada	-	-	-	-	1,113,014	1,044,457	-	-
Provincial	-	-	-	50,000	-	-	-	-
Ministry of Education	-	-	-	-	-	-	-	-
MCSS	-	-	-	-	-	-	-	-
Stepping Stones	692,665	656,010	-	-	-	-	-	-
CMHC	-	-	143,271	118,817	-	-	55,159	30,137
Admin Fees	-	-	-	-	-	-	-	-
Rental	-	-	152,486	146,205	-	-	-	-
SFNS	-	-	-	-	-	-	-	-
OFNLP	-	-	-	-	-	-	-	-
Other	-	-	54,035	36,064	-	-	243,714	246,904
	692,665	656,010	1,134,505	389,476	1,454,716	1,342,043	310,273	288,836
Repayable to funding source	-	-	-	-	3,628	6,657	8,009	-
Deferred revenue - beginning of year	-	-	55,668	73,390	32,143	-	47,559	21,234
Deferred revenue - end of year	-	-	785,310	55,668	-	32,143	100,252	47,559
<b>Total revenues</b>	<b>692,665</b>	<b>656,010</b>	<b>404,864</b>	<b>407,197</b>	<b>1,483,231</b>	<b>1,303,243</b>	<b>249,571</b>	<b>262,511</b>
<b>EXPENDITURES</b>								
Administration	-	-	17,787	15,414	114,745	109,324	24,487	22,574
Amortization	-	-	-	-	-	-	-	-
bad debt	-	-	-	-	-	-	-	-
Interest on debt	-	-	23,897	24,365	-	-	-	-
Interest and bank charges	-	-	-	-	-	-	-	-
Office and other	13,788	14,847	13,970	15,874	52,896	17,432	-	-
Operations and maintenance	-	-	96,410	87,200	21,015	25,823	-	-
Professional services	-	-	12,064	40,098	70,643	69,968	-	-
Social assistance payments	-	-	-	-	-	-	-	-
Utilities	-	-	17,009	15,502	6,193	10,205	-	-
Program delivery	567,373	539,779	75,391	64,595	607,778	511,156	166,533	184,331
travel	10,989	3,791	12,521	8,216	37,906	40,810	-	-
Wages and benefits	100,514	100,114	28,027	28,815	558,985	527,066	58,550	55,606
Written down of accounts receivable	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>692,665</b>	<b>658,531</b>	<b>297,075</b>	<b>300,079</b>	<b>1,470,160</b>	<b>1,311,785</b>	<b>249,571</b>	<b>262,511</b>
<b>Prior year adjustment</b>								
CMHC Operating surplus reallocation	-	-	-	-	-	-	-	-
<b>Excess surplus (deficiency) of revenue over expenses</b>	<b>\$ -</b>	<b>(2,521)</b>	<b>107,789</b>	<b>107,117</b>	<b>13,071</b>	<b>(8,542)</b>	<b>0</b>	<b>0</b>

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**16. Segmented Information cont..**

	Community Infrastructure		Community Development		OFNLP	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
ISC	\$ 176,936	173,728	335,510	101,300	-	-
Union of Ontario Indians	-	-	-	-	-	-
AIAI	-	-	-	9,396	-	-
Health Canada	-	-	-	-	-	-
Provincial	52,500	19,482	550,572	270,062	-	-
Ministry of Education	-	-	116,265	-	-	-
MCSS	-	-	268,697	240,301	-	-
Stepping Stones	-	-	-	-	-	-
CMHC	-	-	-	-	-	-
Admin Fees	-	-	-	-	-	-
Rental	-	-	2,289	2,937	-	-
SFNS	-	-	-	-	-	-
OFNLP	-	-	-	-	1,058,702	838,075
Other	12,946	169,734	143,207	313,812	112,351	77,796
	242,382	362,944	1,416,540	937,809	1,171,053	915,871
Repayable to funding source	-	-	48,246	8,395	-	-
Deferred revenue - beginning of year	6,484	-	150,825	30,625	-	-
Deferred revenue - end of year	-	888	6,484	-	401,159	150,825
Total revenues	247,978	356,460	1,117,960	809,215	1,171,053	915,871
<b>EXPENDITURES</b>						
Administration	26,104	28,592	107,318	32,358	-	-
Amortization	-	-	-	-	-	-
Bad debt	-	888	-	-	-	-
Interest on debt	-	-	-	-	-	-
Interest and bank charges	-	-	-	-	-	-
Office and other	6,917	8,025	8,719	10,074	-	-
Operations and maintenance	132,148	92,418	34,622	17,647	-	-
Professional services	-	-	7,789	12,040	-	-
Social assistance payments	-	-	-	-	-	-
Utilities	15,251	12,769	34,905	29,950	-	-
Program delivery	2,263	3,151	335,080	285,249	-	-
Travel	5,302	7,135	23,205	5,454	-	-
Wages and benefits	60,881	59,333	525,695	341,300	-	-
Community support	-	-	-	-	664,114	651,093
Written down of accounts receivable	-	1,518	-	-	-	-
Total expenses	247,978	212,940	1,077,332	734,071	664,114	651,093
adjustment to prior year surplus	-	-	-	-	-	-
Excess surplus of revenue over expenses	\$ -	143,519	40,627	75,144	506,939	264,778

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**Moravian Of The Thames First Nation  
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**17. Contingencies**

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The First Nation has entered into contribution agreements with various federal and provincial 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. Any resulting adjustment will be recognized in the year in which the changes are confirmed by the funding agency and will be recorded as a prior year recovery on the consolidated statement of operations.

The First Nation is in the process of decommissioning a waste site. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the First Nation has no reason to believe that the ultimate outcome will have a significant impact on its financial position. Decommissioning cost of \$304,623 were paid during the year with Indigenous Services Canada advancing a further \$86,267 of flexible contribution for these cost.

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**18. Financial Instruments Risks Disclosures**

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

**Credit Risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation has exposure to credit risk as the total of all receivables are significant. Management feels the risk is low as most of the receivables are due from various levels of government, First Nation members or rent receivables. Any receivable that management feels are uncollectable are allowed for.

**Liquidity Risk**

Liquidity risk relates to the risk the 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 and payable to funding source. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

**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 the First Nation's 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. The First Nation's interest bearing instruments are subject to interest rate risk.

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

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*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. The 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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**19. 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.

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**20. Budgeted Figures**

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The budget, approved by the First Nation, for 2019 is reflected on the statement of operations and accumulated surplus. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.