

JEAN MARIE RIVER FIRST NATION

Jean Marie River, NT

CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended March 31, 2016



Jean Marie River First Nation

General Delivery

Jean Marie River, NT

X0E 0N0

Phone: (867) 809-2000 Fax (867) 809-2002

E-MAIL: finance@jmrfn.com

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


The accompanying consolidated financial statements of Jean Marie River First Nation are the responsibility of management.

The consolidated financial statements have been prepared by management in accordance with the Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Jean Marie River First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Jean Marie River First Nation's assets are appropriately accounted for and adequately safeguarded.

Jean Marie River First Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements have been audited by Paul Teoh Professional Corporation in accordance with Canadian generally accepted auditing standards. Its report to the members of Jean Marie River First Nation, stating the scope of its examination and opinion on the financial statements, follows.


Chief

Jean Marie River, NT
August 12, 2016


Senior Administrative Officer



PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Jean Marie River First Nation

I have audited the consolidated financial statements of Jean Marie River First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jean Marie River First Nation as at March 31, 2016, and the consolidated results of its operations, changes net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountant

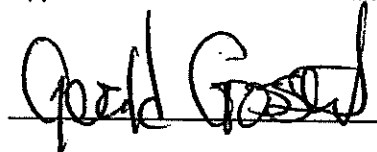
Calgary, Alberta
August 12, 2016

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2016	2015
Financial Assets		
Cash (note 2)	\$ 868,946	\$ 826,595
Short term investments	71,669	71,886
Restricted deposits (note 3)	2,361,365	2,186,962
Accounts receivable (note 4)	239,011	213,314
Contributions receivable (note 5)	1,590,885	1,010,752
Total Financial Assets	5,131,876	4,309,509
Liabilities		
Accounts payable and accrued liabilities (note 6)	202,648	149,663
Contributions repayable (note 7)	66,291	60,252
Deferred contributions (note 8)	3,734,208	3,094,557
Total Liabilities	4,003,147	3,304,472
Net Financial Assets	1,128,729	1,005,037
Non-Financial Assets		
Long term investments (note 9)	1,083,151	810,357
Tangible capital assets (note 10)	2,086,061	2,089,720
Prepaid expenses and deposits	29,215	29,215
Total Non-Financial Assets	3,198,427	2,929,292
Accumulated Surplus (note 12)	\$ 4,327,156	\$ 3,934,329

Approved on behalf of the Council:

 Councillor

 Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 4.

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2016	2016	2015
	Budget (Unaudited)	Actual	Actual
Revenue			
Contributions - MACA	\$ 1,397,848	\$ 2,042,728	\$ 2,034,070
Contributions - AANDC	96,390	241,042	99,190
Contributions - DFN	64,975	70,003	107,479
Contributions - GNWT	354,105	402,164	371,209
Other revenue and recoveries	13,890	295,875	344,500
Earnings (loss) from subsidiaries	-	33,234	30,286
Add opening deferred revenue	-	3,094,557	2,273,994
Less closing deferred revenue	-	(3,734,208)	(3,094,557)
	1,927,208	2,445,395	2,166,171
Expenditure			
Municipal Services:			
Municipal administration	660,700	572,910	652,094
Roads and works	70,049	8,966	68,799
Recreation	29,700	30,203	25,905
Utilities and operating	337,220	358,432	554,252
Water and sewage	341,240	361,306	322,449
Youth programs	14,285	19,375	19,286
AANDC Band Member Services:			
Band support administration	96,390	91,536	98,074
Resource management	-	31,002	-
Summer and youth programs	7,500	17,300	2,858
Political and institutional development	-	75,109	-
Dehcho First Nation Funded Programs:			
Community assembly	-	-	21,748
Literacy programs	9,225	12,525	9,225
Resource management	40,100	26,126	60,256
Youth programs	-	31,352	-
GNWT Funded Programs:			
Education, cultural and employment	9,600	19,787	20,537
Economic Development	13,532	19,090	53,893
Health and social services	103,609	59,587	53,652
Hunters and trappers assistance	29,375	14,135	40,630
Transportation and public works	192,464	127,580	104,256
Resource programs	5,389	27,195	4,589
Others:			
Administration	-	146,559	58,258
Community events	-	2,493	17,023
Environmental	-	-	8,989
	1,960,378	2,052,568	2,196,773
Annual Surplus (Deficit)	(33,170)	392,827	(30,602)
Accumulated Surplus, beginning of year	3,934,329	3,934,329	3,964,931
Accumulated Surplus, end of year	\$ 3,901,159	\$ 4,327,156	\$ 3,934,329

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5.

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31,	2016	2016	2015
	Budget (Unaudited)	Actual	Actual
Annual Surplus (Deficit)	\$ (33,170)	\$ 392,827	\$ (30,602)
Acquisition of tangible capital assets	-	(304,138)	(96,690)
Amortization of tangible capital assets	-	307,797	377,403
Decrease (increase) in long term investments	-	(272,794)	(51,286)
	(33,170)	123,692	198,825
Decrease (increase) in prepaid expenses and deposits	-	-	(10,212)
Increase (Decrease) in Net Financial Assets	(33,170)	123,692	188,613
Net Financial Assets, beginning of year	1,005,037	1,005,037	816,424
Net Financial Assets, end of year	\$ 971,867	\$ 1,128,729	\$ 1,005,037

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6.

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2016	2015
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 2,175,804	\$ 1,808,147
Cash receipts from contributions and recoveries	276,217	333,714
Cash paid to suppliers and employees	(1,691,786)	(1,929,934)
	760,235	211,927
Cash Flows from Investing Activities		
Decrease (increase) in receivable from related parties	(239,560)	(21,000)
Decrease (increase) in short term investment	217	(217)
	(239,343)	(21,217)
Capital Transactions		
Purchase of tangible capital assets	(304,138)	(96,690)
	(304,138)	(96,690)
Net Increase (Decrease) in Cash and Cash Equivalents	216,754	94,020
Cash and Cash Equivalents, beginning of year	3,013,557	2,919,537
Cash and Cash Equivalents, end of year	\$ 3,230,311	\$ 3,013,557
Represented By:		
Cash	\$ 868,946	\$ 826,595
Restricted cash	2,361,365	2,186,962
	\$ 3,230,311	\$ 3,013,557

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7.

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

The Jean Marie River First Nation ("Council") is an Indian Band registered under the *Indian Act*. It provides services to the band members of Jean Marie River First Nation. It is also recognized by Department of Municipal and Community Affairs, the Government of NWT, as the designated authority responsible for the provision of municipal services to the Community of Jean Marie River.

The Council recognized as a municipality and is exempt for income tax purposes under Section 149 of the *Income Tax Act*.

1. Significant Accounting Policies

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Reporting Entity

The consolidated financial statements includes the accounts of Jean Marie River First Nation and Tthets' Ehk' E Deli Society along with its following subsidiary and associated companies using the modified equity method.

	Percentage Owned	Year End
Jean Marie River Development Corporation Ltd.	100%	March 31, 2016
Deh Cho Helicopters Regional Limited Partnership	14.3%	May 31, 2015

(c) Fund Accounting

The Jean Marie River First Nation follows the deferral method of accounting for capital contributions. Externally restricted contributions are recognized as revenue when the related capital expenditures are incurred. Contributions received in advance of making the related expenditures is recorded as deferred revenue.

The general operating fund reports the core operating accounts of the Council and other programs in accordance with contribution agreements with funding agencies.

The Enterprise fund reports the assets, liabilities, revenue and expenditure relating to investments held by the Council.

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(d) Cash and Cash Equivalents

Cash includes cash and demand deposits. Cash equivalents includes highly liquid investments that can be readily converted into cash for a fixed amount and that matures less than three months from the date of acquisition.

(e) Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipts of goods or services and /or legal obligations to pay.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(f) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(i) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Amortization expense is recorded over the estimated useful lives of the assets, using the following method and annual rates:

Buildings:		
- Office and community	4%	Declining Balance
- Playgrounds	10%	Declining Balance
- Staff houses	10%	Declining Balance
- Youth/Elder Centre	10%	Declining Balance
Land improvements	2.5%	Declining Balance
Landfills and lagoon	5%	Declining Balance
Mobile equipment	30%	Declining Balance
Office computer and equipment	30%	Declining Balance
Office furniture	20%	Declining Balance
Shop equipment	10%	Declining Balance
Street lights	10%	Declining Balance

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(g) Short Term Investments

Short term investments consist of Guaranteed Income Certificates bearing interest at 0.85% per annum.

(h) Long Term Investments

Long term investments are accounted for on the cost basis and are written down to their net recoverable value if there is an impairment in value that is permanent. When the extent of impairment of a previously written down investment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of improvement. Investment income is recognized to the extent that they are received.

(i) Allocation of Expenditure

Certain common expenditure have been allocated to programs based on estimate of services provided.

(j) Financial Instruments - Recognition and Measurement

The Council has elected the following classifications with respect to its financial assets and financial liabilities:

- Cash and restricted cash are classified as assets held-for-trading and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The estimated fair value of cash is assumed to approximate its carrying amount.
- Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. The amortized cost using the effective interest method approximates their fair values due to the short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(k) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(l) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

2. Cash

	2016	2015
Bank current account	\$ 864,621	\$ 822,714
Cash on hand	4,325	3,881
	\$ 868,946	\$ 826,595

3. Restricted Deposits

	2016	2015
CIBC Business Interest Account - Community Public Infrastructure	\$ 1,120,058	\$ 1,114,831
CIBC Business Interest Account - Federal Gas Tax	777,397	610,364
CIBC Business Interest Account - Reserve Account	463,910	461,767
	\$ 2,361,365	\$ 2,186,962

Interests on CIBC Business Interest Account are paid monthly at rates ranging from 0.10% to 0.65% per annum depending on monthly average account balance.

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

3. Restricted Deposits (Continued)

	Community Public Infrastructure	Federal Gas Tax Funding	Reserve Account	Total
Deferred contributions	\$ 2,475,368	\$ 1,040,798	\$ -	\$ 3,516,166
Less contributions receivable	(1,280,000)	(245,165)	-	(1,525,165)
Required balance	1,195,368	795,633	-	1,991,001
Restricted cash deposits	1,120,058	777,397	463,910	2,361,365
Deposit (deficiency)	\$(75,310)	\$(18,236)	\$ 463,910	\$ 370,364

Sufficient funds must be deposited to separate restricted bank accounts to correspond with the respective balances required. Interest earned on these accounts is credited to the appropriate restricted bank accounts.

4. Accounts Receivable

	2016	2015
Trade and other	\$ 302,535	\$ 257,098
GST refundable	49,445	29,967
	351,980	287,065
Less allowances for doubtful for trade and other	(112,969)	(73,751)
	\$ 239,011	\$ 213,314

5. Contributions Receivable

	2016	2015
Dehcho First Nations	\$ 726	\$ 35,119
Aboriginal Affairs and Northern Development Canada	19,226	43,139
Government of NWT	1,570,933	932,494
	\$ 1,590,885	\$ 1,010,752

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

6. Accounts Payable and Accrued Liabilities

	2016	2015
Trade and other	\$ 160,816	\$ 112,609
Accrued wages and benefits	28,490	16,847
Remittances payable	13,345	20,212
	\$ 202,651	\$ 149,668

7. Contributions Repayable

	2016	2015
Dehcho First Nations	\$ 2,269	\$ 3,679
Aboriginal Affairs and Northern Development Canada	44,791	44,792
Government of NWT	19,231	11,781
	\$ 66,291	\$ 60,252

8. Deferred Contributions

	2016	2015
Government of NWT-DHSS-Health & Wellness	\$ 143,465	\$ 103,151
Community Public Infrastructure	2,475,368	2,118,692
Arctic Energy Alliance	42,974	-
C.E.P. Credits	6,363	-
Federal Gas Tax Funding	1,040,798	872,714
Government of NWT-ENR-CHAP-Hunters & Trappers	15,240	-
Enbridge Traditional Activities	10,000	-
	\$ 3,734,208	\$ 3,094,557

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

9. Long Term Investments

The Council owns 100% of Jean Marie River Development Corporation Ltd., a private company incorporated under the *Business Corporation Act* of Northwest Territories on June 11, 1991. The Corporation's principal activities are property rental and construction.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2016

	2016	2015
Financial Position		
Current assets	\$ 572,568	\$ 254,259
Non-current assets	317,618	320,792
Total assets	890,186	575,051
Current liabilities	1,097,379	793,952
Non-current liabilities	130,355	108,356
Shareholder's equity (capital deficiency)	\$(337,548)	\$(327,257)
Financial Performance		
Revenues	\$ 311,208	\$ 88,823
Expenses	321,499	92,510
Net earnings (loss)	\$(10,291)	\$(3,687)
Investments:		
Investment at cost	\$ 200	\$ 200
Receivable from Corporation	1,012,385	747,825
Accumulated equity earnings	(337,749)	(327,458)
Investment in Corporation	\$ 674,836	\$ 420,567

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

9. Long Term Investments (Continued)

The Council owns 5,000 of 35,000 (14.27%) limited partnership units in Deh Cho Helicopters Regional Limited Partnership (DCHRLP). DCHRLP was formed on June 1, 2004 under the Partnership Act of the Northwest Territories.

The Partnership's principal activities are to own and lease a Eurocopter AS350 B2 Helicopter and other helicopter charters through Great Slave Helicopters Ltd. in the Deh Cho areas in Northwest Territories.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended May 31, 2015

	2015	2014
Financial Position		
Current assets	\$ 1,502,013	\$ 1,671,690
Non-current assets	1,259,624	1,016,090
Total assets	2,761,637	2,687,780
Current liabilities	15,113	245,124
Non-current liabilities	4,403	5,206
Total partners' equity	\$ 2,742,121	\$ 2,437,450
Financial Performance		
Revenues	\$ 559,998	\$ 823,475
Expenses	255,327	343,068
Net earnings (loss)	304,671	480,407
Net earnings attributable to the Council	\$ 43,525	\$ 68,629
Investments:		
Investment at cost	\$ 5,000	\$ 5,000
Accumulated equity earnings	428,315	384,790
Distributions of earnings	(25,000)	-
Investment in Partnership	\$ 408,315	\$ 389,790
Total Investments	\$ 1,083,151	\$ 810,357

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

10. Tangible Capital Assets

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 3,318,210	\$ 1,872,649	\$ 1,445,561	\$ 1,266,370
Land improvements	86,713	22,843	63,870	51,406
Landfills and lagoon	409,223	379,038	30,185	31,773
Mobile equipment	2,643,099	2,153,455	489,644	695,258
Office furniture and equipment	151,449	114,602	36,847	22,741
Shop equipment	24,906	9,044	15,862	17,625
Street lights	7,295	3,203	4,092	4,547
	\$ 6,640,895	\$ 4,554,834	\$ 2,086,061	\$ 2,089,720

11. Equity in Tangible Capital Assets

	2016	2015
Tangible capital assets	\$ 6,640,895	\$ 6,336,757
Accumulated amortization	(4,554,834)	(4,247,037)
	\$ 2,086,061	\$ 2,089,720

12. Accumulated Surplus

	2016	2015
Unrestricted		
General Operating Fund	\$ 1,157,944	\$ 1,034,252
Enterprise Fund	1,083,151	810,357
Equity in Tangible Capital Assets	2,086,061	2,089,720
	\$ 4,327,156	\$ 3,934,329

13. Government Transfers

	2016	2015
Government of NWT - MACA	\$ 2,042,728	\$ 2,034,070
Government of NWT	402,164	371,209
Aboriginal Affairs and Northern Development Canada	241,042	99,190
Dehcho First Nations	70,003	107,479
	\$ 2,755,937	\$ 2,611,948

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

14. Expenditure by Object

	2016	2016	2015
	Budget	Actual	Actual
Advertising and promotion	\$ 11,130	\$ 7,022	\$ 13,351
Administration	9,300	12,916	10,955
Amortization	375,484	307,797	377,403
Bad debts	5,000	90,309	16,779
Bank charges and interest	9,715	19,050	9,463
Community events	3,627	10,668	25,419
Contracted services	29,500	65,510	32,528
Contributions repaid	-	34,510	22,447
Donations	1,000	500	10,095
Equipment rental	23,940	53,768	27,623
Freight and postage	8,340	2,080	9,774
Honoraria	19,489	13,225	14,277
Insurance	77,100	87,882	75,861
Materials and supplies	98,501	63,675	130,565
Meeting and workshop	30,609	22,528	35,106
Miscellaneous	7,030	10,368	6,466
Mobile equipment costs	231,694	114,010	195,039
Office	16,300	23,613	23,347
Power	120,756	227,352	268,220
Professional fees	32,000	72,685	37,988
Rent and utilities	14,182	53,918	80,151
Telephone and Internet	29,890	37,385	29,272
Training and scholarships	-	13,904	5,000
Travel and accommodation	51,545	47,548	59,262
Wages and benefits	754,246	660,345	680,382
Total Expenditure	\$ 1,960,378	\$ 2,052,568	\$ 2,196,773

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

15. Economic Dependence

The Council receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada of the Government of Canada, the Department of Transportation of the Government of the Northwest Territories and the Department of Municipal and Community Affairs of the Government of the Northwest Territories. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

16. Comparative Figures

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

17. Financial Instruments and Risk Management

The Council's financial instruments are exposed to certain risks, which include credit risk, market risk, interest rate risk and liquidity risk.

Credit Risk - Credit risk refers to the potential that the funding agencies or counter party to a financial instrument will fail to discharge its contractual obligations. The Council is exposed mainly to credit risk from funding agencies' refusal to contribute the full funding due to the Council's non-compliance to the contribution agreements. The Council manages credit risk by ensuring that it complies with the terms and conditions of the contribution agreements.

Liquidity Risk - Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council manages liquidity risk through the management of its capital structure.

Unless otherwise noted, it is management's opinion that the Council is not exposed to other significant interest, currency and market risks arising from these financial instruments.