Financial Statements of

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Year ended March 31, 2016

CANADIAN NATIONAL INSTITUTE FOR THE BLIND

March 31, 2016

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Independent Auditor's Report

To the National Board of Directors and Members of
The Canadian National Institute for the Blind

We have audited the accompanying financial statements of The Canadian National Institute for the Blind, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation 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 for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian National Institute for the Blind as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
Licensed Public Accountants
June 24, 2016

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Financial Position
(In thousands of dollars)
March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 1,477	$ 1,432
Accounts receivable and pre-payments	4,900	4,030
Inventories and supplies	1,024	1,002
	7,401	6,464
Accrued pension asset (note 2)	6,211	16,075
Investments (note 3)	26,245	30,667
Capital assets (note 4)	62,204	63,465
	$ 102,061	$ 116,671

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND
Statement of Financial Position (continued)
(In thousands of dollars)
March 31, 2016, with comparative information for 2015

	2016	2015
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Bank indebtedness (note 5)	$ 4,982	$ 4,497
Current portion of property loans (note 6)	–	4,346
Current portion of term loan (note 6)	1,022	900
Accounts payable and accrued liabilities (note 6)	6,069	5,516
	12,073	15,259
Property loans (note 6)	–	3,821
Term loan (note 6)	14,300	3,300
Deferred contributions:		
Expenses of future periods (note 7)	5,648	6,733
Capital assets (note 8)	11,332	12,486
	31,280	26,340
	$ 43,353	$ 41,599
Fund balances:		
Endowments (note 11)	9,649	9,395
Invested in capital assets (note 10)	43,497	42,459
Internally restricted strategic reserve (note 9)	3,704	10,366
Unrestricted operating fund	1,858	12,852
	58,708	75,072
Commitments and contingencies (note 13)		
	$ 102,061	$ 116,671

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Chair, Board of Directors

Chair, Finance and Risk Management Committee

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Operations and Changes in Fund Balances
(In thousands of dollars)
Year ended March 31, 2016, with comparative information for 2015

	Unrestricted operating fund	Internally restricted strategic reserve (note 9)	Invested in capital assets (note 10)	Endowments (note 11)	2016 Total	2015 Total
Revenue:						
Support from the public	$ 19,280	$ 5,665	$ –	$ –	$ 24,945	$ 26,692
Government funding towards programs and services	26,837	–	–	–	26,837	26,836
Retail lottery and gaming operations	10,387	–	–	–	10,387	9,670
Investment	2,307	(705)	–	76	1,678	5,070
Fees for service	1,185	–	–	–	1,185	1,363
Consumer products and assistive technology sales	4,140	–	–	–	4,140	3,733
Amortization of deferred capital contributions (note 8)	–	–	1,465	–	1,465	1,313
Other	2,402	–	–	–	2,402	2,634
Gain on sale of capital assets	91	–	–	–	91	98
	66,629	4,960	1,465	76	73,130	77,409

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Operations and Changes in Fund Balances (continued)
(In thousands of dollars)
Year ended March 31, 2016, with comparative information for 2015

	Unrestricted operating fund	Internally restricted strategic reserve (note 9)	Invested in capital assets (note 10)	Endowments (note 11)	2016 Total	2015 Total
Expenses:						
Program:						
Community-based programs and services	48,651	–	2,436	84	51,171	52,344
Public education and advocacy	3,950	–	91	–	4,041	4,456
Research	382	–	5	(8)	379	604
	52,983	–	2,532	76	55,591	57,404
Other:						
Fund development (note 14)	10,445	–	181	–	10,626	11,588
Retail lottery and gaming operations	8,078	–	145	–	8,223	7,772
Administration	2,096	–	273	–	2,369	2,348
Other	1,026	–	173	–	1,199	1,293
Restructuring	1,221	–	–	–	1,221	–
	22,866	–	772	–	23,638	23,001
	75,849	–	3,304	76	79,229	80,405

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Operations and Changes in Fund Balances (continued)
(In thousands of dollars)
Year ended March 31, 2016, with comparative information for 2015

	Unrestricted operating fund	Internally restricted strategic reserve	Invested in capital assets	Endowments	2016 Total	2015 Total
		(note 9)	(note 10)	(note 11)		
Excess (deficiency) of revenue over expenses	$ (9,220)	$ 4,960	$ (1,839)	$ –	$ (6,099)	$ (2,996)
Transfer from internally restricted strategic reserve fund to unrestricted operating fund (note 9)	11,622	(11,622)	–	–	–	–
	2,402	(6,662)	(1,839)	–	(6,099)	(2,996)
Invested in capital assets (note 10)	(2,877)	–	2,877	–	–	–
Endowment contributions (note 11)	–	–	–	254	254	74
Pension plan remeasurement	(10,519)	–	–	–	(10,519)	9,531
Net change	(10,994)	(6,662)	1,038	254	(16,364)	6,609
Fund balances, beginning of the year	12,852	10,366	42,459	9,395	75,072	68,463
Fund balances, end of the year	$ 1,858	$ 3,704	$ 43,497	$ 9,649	$ 58,708	$ 75,072

See accompanying notes to financial statements.

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND
Statement of Cash Flows
(In thousands of dollars)
Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (6,099)	$ (2,996)
Items not involving cash:		
Change in fair value of investments	922	(2,597)
Amortization of capital assets	3,304	3,160
Amortization of deferred contributions related to expenses of future periods	(24,452)	(25,032)
Amortization of deferred contributions related to capital assets	(1,465)	(1,313)
Gain on sale of capital assets	(6)	(21)
Pension expense	1,389	1,904
Pension employer contributions	(2,044)	(2,596)
Deferred contributions related to expenses of future periods	23,570	22,532
Change in non-cash working capital	(339)	239
	(5,220)	(6,720)
Financing activities:		
Repayment of property loans (note 6)	(884)	(934)
Property loans (note 6)	–	1,500
Repayment of term loan (note 6)	(661)	(900)
Term loan (note 6)	4,500	–
Deferred contributions related to capital assets	108	271
Endowments	254	74
	3,317	11

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Cash Flows (continued)
(In thousands of dollars)
Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Investing activities:		
Proceeds from disposal of capital assets	6	21
Mortgage receivable	–	2,175
Sale of investments	3,500	5,000
Purchase of capital assets	(2,042)	(3,537)
	1,464	3,659
Change in cash and bank indebtedness	(439)	(3,050)
Cash and bank indebtedness, beginning of year	(3,065)	(15)
Cash and bank indebtedness, end of year	$ (3,504)	$ (3,065)
Cash and bank indebtedness is comprised of:		
Cash	$ 1,477	$ 1,432
Bank indebtedness	(4,982)	(4,497)
	$ (3,504)	$ (3,065)
Supplemental disclosure of cash flow		
Deferred gain related to sale of capital assets	$ (240)	$ (326)
Change in deferred capital gain	(86)	(86)

See accompanying notes to financial statements.

The Canadian National Institute for the Blind ("CNIB") was incorporated on March 30, 1918 by Letters Patent under the Companies Amendment Act of 1917. CNIB is a nationwide, community-based, volunteer agency committed to research, public education and the vision health of all Canadians. It provides vital programs and services, innovative consumer products, and one of the world's largest libraries for people with print disabilities. CNIB also focuses on protection and prevention today, as well as on treatments and cures for tomorrow. CNIB is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

CNIB follows the deferral method of accounting for contributions, which include support from the public and government support.

Externally restricted contributions, other than endowments, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Income from investments includes the realized gains or losses from the sale of units of CNIB's managed investment funds, as well as interest income and unrealized gains or losses for the year. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

1. Significant accounting policies (continued):

Revenue from fees for service and sale of consumer products and assistive technology is recognized when the services are provided or the goods are sold.

Unrestricted contributions of legacies or bequests and investment income, including realized or unrealized gains or losses, are reported within the internally restricted strategic reserve fund as support from the public and investment revenue respectively. Incidental rent revenue and related operating costs associated with renting excess capacity in CNIB facilities is reported in the unrestricted operating fund as investment revenue and other costs.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. CNIB has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CNIB determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CNIB expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Inventories and supplies:

Inventories and supplies are recorded at the lower of cost on a first-in, first-out basis, and net realizable value.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets are amortized over the estimated life of the assets. Repairs and maintenance costs are charged to expense. If a capital asset no longer contributes to CNIB's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2.5%
Computer equipment and software	14.3% - 33.3%
Vehicles	25.0% - 33.3%
Furniture and office equipment	25.0%
Leasehold improvements	Term of lease

(e) Contributed services:

CNIB benefits from substantial services in the form of volunteer time to fulfill its mission. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(f) Employee future benefits:

CNIB administers the Pension Plan for Employees of CNIB. The plan has a defined benefit provision and a defined contribution provision. Employees with greater than two years of service are eligible to join the defined contribution provision, while the defined benefit provision was closed to new entrants effective June 2010. The benefits of the defined benefit provision are based on years of service, years of contributions and final average earnings. The defined benefit provision includes the basic and excess benefits plans. CNIB does not provide any significant non-pension, post-retirement benefits.

1. Significant accounting policies (continued):

CNIB uses the immediate recognition approach to account for its defined benefit provision. CNIB accrues its obligations under the defined benefit provision as employees render the services necessary to earn the pension benefits. The actuarial determination of the accrued benefit obligations for pensions uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the defined benefit provision for funding purposes was as of December 31, 2013, and the next required valuation will be December 31, 2016.

Actuarial gains (losses) on defined benefit provision assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on defined benefit provision assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation.

The cost of the defined contribution provision is based on a percentage of the employee's pensionable earnings.

(g) Allocation of expenses:

CNIB classifies expenses on the statement of operations by function. General support expenses are allocated by identifying the appropriate drivers such as operational activities, square footage, employee count, and applying these bases consistently.

(in thousands of dollars except as noted)

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for non-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount and useful lives of capital assets, valuation of interest rate swap and obligations related to employee future benefits. Actual results could differ from these estimates.

2. Accrued pension asset:

The accrued pension asset represents the fair value of the defined benefit provision assets in excess of the accrued defined benefit provision obligation.

	2016	2015
Accrued pension obligation	$ 105,566	$ 103,285
Fair value of defined benefit provision assets	111,777	119,360
Accrued benefit asset	$ 6,211	$ 16,075

Defined benefit provision assets consist of:

	2016	2015
Equities	57%	58%
Canadian fixed income securities and cash	37%	37%
Real estate	6%	5%
Total	100%	100%

(in thousands of dollars except as noted)

2. Accrued pension asset (continued):

The significant actuarial assumptions adopted in measuring CNIB's accrued pension asset are as follows:

	2016	2015
Accrued benefit obligation:		
Discount rate	5.78%	5.78%
Rate of compensation increase	2.25%	2.25%
Benefit costs:		
Discount rate	5.78%	6.34%
Rate of compensation increase	2.25%	2.25%

CNIB's defined benefit provision expense for the current year was as follows:

	2016	2015
Current service cost	$ 2,318	$ 2,843
Finance cost	(929)	(464)
Additional adjustments to net assets for elimination of early measurements	–	(475)
Net pension plan expense	$ 1,389	$ 1,904

CNIB’s defined contribution provision expense for the current year was $507 (2015 - $411).

(in thousands of dollars except as noted)

3. Investments:

	2016	2015
Canadian fixed income securities and cash	$ 517	$ 406
Canadian equities	3,560	4,199
U.S. and global equities	9,538	11,828
Investments held in pooled funds	12,630	14,234
Total	$ 26,245	$ 30,667

	2016		2015	
	Average term to maturity	Average effective yield	Average term to maturity	Average effective yield
Fixed income securities held within pooled funds	9.6 years	2.1%	9.6 years	1.8%

4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 21,109	$ –	$ 21,109	$ 21,109
Buildings	60,926	23,083	37,843	38,695
Computer equipment and software	11,914	9,984	1,930	2,249
Vehicles	1,132	979	153	91
Furniture and office equipment	5,241	4,761	480	790
Projects in progress	689	–	689	531
	$ 101,011	$ 38,807	$ 62,204	$ 63,465

(in thousands of dollars except as noted)

5. Bank indebtedness:

CNIB has a credit facility available to fund operations and capital expenditures, totalling $6 million at prime plus 0.25%. Any amounts drawn from this facility are due upon demand and is secured by the land and property at 1929 Bayview Ave, Toronto, Ontario (CNIB Centre) and a general security agreement.

6. Property and term loans:

	2016	2015
Mortgage, interest at prime, with monthly payments of $56, due March 31, 2016	$ -	$ 3,996
Loan payable, interest at prime plus 1.1%, with monthly payments of $75, due January 31, 2017	-	4,200
Term loan payable, interest at prime plus 1.1%, with monthly payments of $13, due October 31, 2018	-	1,288
Term loan payable, interest at prime plus 1.1%, with monthly payments of $17, due August 31, 2019	-	2,883
Consolidated loan, interest at prime plus 1.1%, with monthly payments of $85, due March 31, 2031	15,322	-
	15,322	12,367
Less current portion	1,022	5,246
	$ 14,300	$ 7,121

Future principal payments required on all long-term debt for the next five years are as follows:

2017	1,022
2018	1,022
2019	1,022
2020	1,022
2021	11,234
	$ 15,322

(in thousands of dollars except as noted)

6. Property and term loans (continued):

During Fiscal Year 2016 CNIB negotiated its loans into a single consolidated loan. The consolidated loan is secured by a first fixed charge over the building and land located at the CNIB Centre. The interest expense for the mortgage and the term loans for the year was $877 (2015 - $686).

CNIB has entered into an interest rate swap for all loans. At March 31, 2016 the mark-to-market liability of the swap is $608 (2015 - $223) and is recorded under accounts payable and accrued liabilities in the statement of financial position, and the change in the mark-to-market value of the swap is recorded under investment revenue in the statement of operations. The swap has a total notional value of $15,322 (2015 - $10,201) and the effective interest rate for that portion of the mortgage is fixed at 4.46%.

7. Deferred contributions – expenses of future periods:

Deferred contributions are related to the funding of expenses of future periods representing unspent, externally restricted contributions.

	2016	2015
Balance, beginning of year	$ 6,733	$ 9,336
Add:		
Amount received in the year	23,570	22,532
Less:		
Amount recognized as revenue in the year	(24,452)	(25,032)
Amount transferred to deferred contributions - capital assets	(203)	(103)
Balance, end of year	$ 5,648	$ 6,733

Amounts that have been received may be used for capital purposes once capital budgets have been approved. These amounts will then be transferred to deferred contributions - capital assets.

(in thousands of dollars except as noted)

8. Deferred contributions - capital assets:

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions received for the purchase of capital assets.

	2016	2015
Balance, beginning of year	$ 12,486	$ 13,425
Add:		
Amount received in the year	108	271
Amount transferred from deferred contributions - expenses of future periods	203	103
Less:		
Amount recognized as revenue in the year	(1,465)	(1,313)
Balance, end of year	$ 11,332	$ 12,486

9. Internally restricted strategic reserve:

The Board of Directors has designated certain fund balances as an internally restricted strategic reserve to provide financial stability and to manage earnings volatility inherent in certain uncontrollable revenue sources.

Certain funds, as described in note 1(a), are added to the reserve each year. The Board of Directors will determine, on an annual basis, the amount to be transferred to the unrestricted operating fund.

In 2016, the Board of Directors authorized a transfer of $11,622 (2015 - $12,312) to the unrestricted operating fund in order to fund operations.

(in thousands of dollars except as noted)

10. Invested in capital assets:

(a) CNIB has an investment in capital assets, which is calculated as follows:

	2016	2015
Capital assets:	$ 62,204	$ 63,465
Amounts financed by:		
Deferred capital contributions	(11,332)	(12,486)
Loans related to capital expenditures	(7,283)	(8,167)
Accounts payable and accrued liabilities	(92)	(353)
	$ 43,497	$ 42,459

(b) The change in this balance is calculated as follows:

	2016	2015
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	$ 1,465	$ 1,313
Amortization of capital assets	(3,304)	(3,160)
	(1,839)	(1,847)
Net change in invested in capital assets:		
Purchase of capital assets	2,042	3,537
Net book value of capital assets disposed	–	–
Amounts funded by:		
Deferred capital contributions	(108)	(271)
Amount transferred from deferred contributions – expenses of future periods	(203)	(103)
Loans related to capital expenditures	884	(566)
Accounts payable and accrued liabilities	262	319
	2,877	2,916
	$ 1,038	$ 1,069

(in thousands of dollars except as noted)

11. Endowments:

CNIB has received a number of externally restricted contributions established as endowments where the principal amounts are preserved and only net investment returns are used for operating and research purposes.

12. Endowment trust funds:

The Vancouver Foundation is a not-for-profit organization that receives and invests funds, and from these funds provide income to other not-for-profit organizations under the terms of the agreements with them or their donors. CNIB receives annual earnings from an endowment held for its benefit by the Vancouver Foundation. The capital of the fund is not available to CNIB and as such is not recorded in the financial statements.

During the year, CNIB received $18 (2015 - $17) from this fund which had a market value as at March 31, 2016 of $1,987 (2015 - $521).

13. Commitments and contingencies:

(a) Lease obligations:

CNIB has commitments with respect to operating leases for premises, vehicles and equipment. The minimum annual commitment under these leases is approximately as follows:

2017	$ 2,420
2018	1,697
2019	1,510
2020	1,178
2021	1,038
Thereafter	881

In relation to these leases, CNIB has agreed to indemnify the landlords against losses occurring on the leased premises which may arise out of a breach of the lease agreement.

(in thousands of dollars except as noted)

13. Commitments and contingencies: (continued)

(b) Letters of credit:

CNIB has various standby letters of credit with a financial institution totaling $194 for operations and capital expenditures.

CNIB has a standby letter of credit with a financial institution totaling $11,593 to secure its commitment to fund special contributions for its deferred benefit pension plan.

14. Alberta reporting requirements:

The Alberta Charitable Fund-raising Act requires charitable organizations to disclose the remuneration paid to their Alberta employees whose principal duties involve fundraising. CNIB paid $395 (March 31, 2015 - $550) to its Alberta fundraising employees which are included in the fund development costs.

15. Allocation of expenses:

General support expenses have been allocated as follows:

	2016	2015
Community-based programs and services	$ 2,671	$ 2,584
Public education and advocacy	175	165
Research	10	12
Fund development	415	436
Retail lottery and gaming operations	253	217
	$ 3,527	$ 3,414

Fund development expenses are not allocated.

16. Financial risks:

(a) Interest rate risk:

CNIB is exposed to interest rate risk on its fixed rate financial instruments. Further details about the fixed rate investments are included in note 3 and CNIB has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held. A portion of CNIB's long-term debt has a variable interest rate based on bank prime plus a margin. As a result, CNIB is exposed to interest rate risk due to fluctuations in the bank prime rate. CNIB mitigates the risk by entering into an interest rate swap.

(b) Market risk:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose CNIB to a risk of loss. CNIB mitigates this risk through controls to monitor concentration levels.

(c) Currency:

CNIB is exposed to currency risk arising from fluctuations in foreign currency exchange rates on CNIB's non-Canadian securities. Foreign currency risk is managed through construction of a diversified portfolio of instruments in various currencies.

(d) Credit risk:

CNIB is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only creditworthy counterparties.

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.