Financial Statements of

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Year ended March 31, 2014

INDEPENDENT AUDITORS' REPORT

To the National Board 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, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our 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, we consider 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Canadian National Institute for the Blind derives revenue from support from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Canadian National Institute for the Blind. Therefore, we were not able to determine, whether, as at and for the year ended March 31, 2013 any adjustments might be necessary to revenues and deficiency of revenues over expenses reported in the statement of operations, deficiency of revenues and expenses reported in the statement of cash flows and current assets and unrestricted net assets reported in the statement of financial position. This caused us to qualify the audit opinion on the financial statements as at and for the year ended March 31, 2013.

Our opinion on the financial statements as at and for the year ended March 31, 2014 is also modified because of the possible effects of this matter on the comparability of the current period's figures and the prior period figures.

Qualified Opinion

In our opinion, except for the possible effects on the comparative information of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Canadian National Institute for the Blind as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

(signed) KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 20, 2014
Toronto, Canada

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Statement of Financial Position
(In thousands of dollars)

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 1,790	$ 454
Accounts receivable and prepayments	5,523	4,269
Mortgage receivable (note 2)	2,175	–
Inventories and supplies	793	914
	10,281	5,637
Mortgage receivable (note 2)	–	2,175
Investments (note 3)	33,070	33,528
Capital assets (note 4)	63,088	62,121
	$ 106,439	$ 103,461

	2014	2013
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 5)	$ 1,805	$ 4,335
Current portion of property loans (note 6)	934	667
Current portion of term loan (note 6)	900	900
Accounts payable and accrued liabilities (note 6)	7,386	7,038
	11,025	12,940
Property loans (note 6)	6,667	4,663
Term loan (note 6)	4,200	5,625
Accrued pension liability (note 7)	3,399	5,150
Deferred contributions:		
Expenses of future periods (note 8)	9,336	8,562
Capital assets (note 9)	13,425	14,475
	22,761	23,037
Net assets:		
Invested in capital assets (note 10)	41,390	42,136
Endowments (note 11)	9,321	8,812
Internally restricted (note 11)	12,952	12,687
Unrestricted	(5,276)	(11,589)
	58,387	52,046
Commitments and contingencies (note 12)		
	$ 106,439	$ 103,461

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
(In thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Support from the public	$ 30,004	$ 29,285
Government funding towards programs and services	26,192	22,021
Retail lottery and gaming operations	9,499	9,605
Investment	5,337	3,702
Fees for service	1,507	1,508
Consumer products and assistive technology sales	3,926	3,802
Amortization of deferred capital contributions (note 9)	1,803	1,335
Other	3,623	3,200
	81,891	74,458

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND
Statement of Operations (continued)
(In thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Expenditures:		
Program:		
Community-based programs and services	49,837	52,106
Public education and advocacy	3,315	4,045
Research	546	997
	53,698	57,148
Other:		
Fund development (note 13)	12,147	13,765
Retail lottery and gaming operations	7,337	7,312
Administration	2,377	2,361
Other	1,006	495
Restructuring	10	1,186
	22,877	25,119
	76,575	82,267
	5,316	(7,809)
Gain on sale of capital assets	516	2
Excess (deficiency) of revenue over expenditures	$ 5,832	$ (7,807)

See accompanying notes to financial statements.

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND
Statement of Changes in Net Assets
(In thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	Invested in capital assets (note 10)	Endowments (note 11)	Internally restricted (note 11)	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	$ 42,136	$ 8,812	$ 12,687	$ (11,589)	$ 52,046	$ 59,116
Excess (deficiency) of revenue over expenditures	(1,307)	–	–	7,139	5,832	(7,807)
Endowment contributions (note 11)	–	509	–	–	509	737
Invested in capital assets (note 10)	561	–	–	(561)	–	–
Internally restricted (note 11)	–	–	265	(265)	–	–
Balance, end of year	$ 41,390	$ 9,321	$ 12,952	$ (5,276)	$ 58,387	$ 52,046

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	$ 5,832	$ (7,807)
Items not involving cash:		
Change in fair value of investments	(5,042)	(3,025)
Amortization of capital assets	3,110	3,145
Amortization of deferred contributions related to expenses of future periods	(23,280)	(16,311)
Amortization of deferred contributions related to capital assets	(1,803)	(1,335)
Gain on sale of capital assets	(516)	(2)
Pension expense	1,837	2,620
Pension employer contributions	(3,588)	(5,654)
Deferred contributions related to expenses of future periods	24,076	16,602
Change in non-cash operating working capital	(1,197)	(113)
	(571)	(11,880)
Financing activities:		
Repayment of property loans	(729)	(667)
Property loans	3,000	–
Repayment of term loan	(1,425)	(2,325)
Deferred contributions related to capital assets	731	202
Endowments	509	737
	2,086	(2,053)

THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND
Statement of Cash Flows (continued)
(In thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

		2014		2013
Investing activities:				
Proceeds from disposal of capital assets		2,218		2
Sale of investments		6,500		12,555
Purchase of investments		(1,000)		(420)
Purchase of capital assets		(5,367)		(1,593)
		2,351		10,544
Change in cash/bank indebtedness		3,866		(3,389)
Bank indebtedness, beginning of year		(3,881)		(492)
Bank indebtedness, end of year	$	(15)	$	(3,881)
Bank indebtedness comprises:				
Cash	$	1,790	$	454
Bank indebtedness		(1,805)		(4,335)
	$	(15)	$	(3,881)
Supplemental disclosure of cash flow:				
Deferred gains related to sale of capital assets	$	(412)	$	–
Change in deferred capital gain		412		–

See accompanying notes to financial statements.

The Canadian National Institute for the Blind ("CNIB") is a charity incorporated without share capital. CNIB was previously incorporated on March 30, 1918 by Letters Patent under the Companies Amendment Act of 1917 and was continued under the Canada Not-for-profit Corporations Act in September 2013. 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 (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) 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 both the public and the government.

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.

1. Significant accounting policies (continued):

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.

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.

(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.

1. Significant accounting policies (continued):

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.

(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 lives 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.

1. Significant accounting policies (continued):

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

1. Significant accounting policies (continued):

CNIB uses the deferral and amortization approach to account for its defined benefit plan. CNIB accrues its obligations under the defined benefit plan 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 benefit plan for funding purposes was as of December 31, 2013, and the next required valuation will be as of December 31, 2016.

Actuarial gains (losses) on plan 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 plan 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 excess of the net accumulated actuarial gains (losses) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the basic plan is eight years (2013 - eight years). The average remaining service period of the active employees covered by the excess benefits plan is seven years (2013 - four years).

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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1. Significant accounting policies (continued):

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

(g) Allocation of expenses:

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

(h) Use of estimates:

The preparation of financial statements 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 expenditures during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Mortgage receivable:

The mortgage receivable is measured at amortized cost with a fixed maturity date of March 14, 2015 in the amount of $2,175. The rate of interest is 6% calculated semi-annually with interest only payments due on the first day of each month.

(In thousands of dollars, except as noted)

3. Investments:

	2014	2013
Canadian fixed income securities and cash	$ 1,137	$ 323
Canadian equities	5,254	5,891
U.S. and global equities	13,052	13,614
Investments held in pooled funds	13,627	13,700
Total	$ 33,070	$ 33,528

	2014		2013	
	Average term to maturity	Average effective yield	Average term to maturity	Average effective yield
Canadian fixed income	0.1 year	1.0%	–	–
Fixed income securities held within pooled funds	8.7 years	2.2%	20.1 years	3.3%

(In thousands of dollars, except as noted)

4. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	$ 21,105	$ –	$ 21,105	$ 20,283
Buildings	56,646	19,448	37,198	37,584
Computer equipment and software	13,268	10,702	2,566	2,988
Vehicles	1,559	1,436	123	123
Furniture and office equipment	5,883	5,149	734	835
Projects in progress	1,362	–	1,362	308
	$ 99,823	$ 36,735	$ 63,088	$ 62,121

(In thousands of dollars, except as noted)

5. Bank indebtedness:

CNIB has a credit facility available to fund operations and capital expenditures, totaling $6 million at prime plus 0.25%. This amount is 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:

	2014	2013
Mortgage, interest at prime, with monthly payments of $56, due March 31, 2016	$ 4,663	$ 5,330
Loan payable, interest at prime plus 1.1%, with monthly payments of $75, due January 31, 2017	5,100	6,525
Term loan payable, interest at prime plus 1.1%, with monthly payments of $13, due October 31, 2018	1,438	–
Term loan payable, interest at prime plus 1.1%, with monthly payments of $17, due August 31, 2019	1,500	–
	12,701	11,855
Less current portion	1,834	1,567
Balance, end of year	$ 10,867	$ 10,288

(In thousands of dollars, except as noted)

6. Property and term loans (continued):

Future principal payments required on all long-term debt are as follows:

2015	$	1,834
2016		5,246
2017		3,650
2018		350
2019		1,038
Thereafter		583
	$	12,701

The mortgage is secured by a first fixed charge over the building and land located at the CNIB Centre. The term loans are secured by a general security agreement. The interest expense for the mortgage and the term loans for the year was $624 (2013 - $429).

CNIB has entered into an interest rate swap for the mortgage of the CNIB Centre. At March 31, 2014, the mark-to-market liability of the swap is $261 (2013 - $422) 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 $4,663 (2013 - $5,330) and the effective interest rate for that portion of the mortgage is fixed at 5.33%.

(In thousands of dollars, except as noted)

6. Property and term loans (continued):

CNIB has entered into an interest rate swap for the term loan. At March 31, 2014, the mark-to-market liability of the swap is $40 (2013 - $72) 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. At March 31, 2014, the swap has a total notional value of $7,050 (2013 - $7,950) and the effective interest rate for that portion of the term loan is fixed at 4.29%.

7. Accrued pension liability:

	Pension benefit plan	
	2014	2013
Accrued benefit obligation	$ 111,326	$ 112,332
Fair value of plan assets	105,135	92,606
Funded status - plan deficit	(6,191)	(19,726)
Unamortized actuarial gain	2,792	14,576
Accrued benefit liability	$ (3,399)	$ (5,150)

(In thousands of dollars, except as noted)

7. Accrued pension liability (continued):

Pension plan assets consist of:

	2014	2013
Equities	61%	57%
Canadian fixed income securities and cash	33%	37%
Real estate	6%	6%
Total	100%	100%

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

	2014	2013
Accrued benefit obligation:		
Discount rate	4.90%	4.30%
Rate of compensation increase	2.25%	2.25%
Benefit costs:		
Discount rate	4.30%	5.20%
Expected long-term rate of return on plan assets	6.40%	6.20%
Rate of compensation increase	2.25%	2.75%

(In thousands of dollars, except as noted)

7. Accrued pension liability (continued):

CNIB's pension plan expense is as follows:

	2014	2013
Current service cost	$ 2,367	$ 2,457
Interest cost	4,799	5,253
Expected return on plan assets	(5,752)	(5,090)
Amortization, net of actuarial loss	423	–
Net pension plan expense	$ 1,837	$ 2,620

CNIB also participates in a defined contribution plan, of which $375 (2013 - $353) was expensed in the current year.

(In thousands of dollars, except as noted)

8. Deferred contributions:

Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent, externally restricted amounts.

	2014	2013
Balance, beginning of year	$ 8,562	$ 8,412
Add:		
Amount received	24,076	16,602
Less:		
Amount recognized as revenue	(23,280)	(16,311)
Amount transferred to deferred capital assets	(22)	(141)
Balance, end of year	$ 9,336	$ 8,562

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)

9. Deferred capital contributions:

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

	2014	2013
Balance, beginning of year	$ 14,475	$ 15,467
Add:		
Amount received	731	202
Amount transferred from expenses of future periods	22	141
Less:		
Amount recognized as revenue	(1,803)	(1,335)
Balance, end of year	$ 13,425	$ 14,475

(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:

	2014	2013
Capital assets	$ 63,088	$ 62,121
Amounts financed by:		
Deferred capital contributions	(13,425)	(14,475)
Loans related to capital expenditures	(7,601)	(5,330)
Accounts payable and accrued liabilities	(672)	(180)
	$ 41,390	$ 42,136

(In thousands of dollars, except as noted)

10. Invested in capital assets (continued):

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

	2014	2013
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	$ 1,803	$ 1,335
Amortization of capital assets	(3,110)	(3,145)
	(1,307)	(1,810)
Net change in invested in capital assets:		
Purchase of capital assets	5,367	1,593
Net book value of capital assets disposed	(1,290)	–
Amounts funded by:		
Deferred capital contributions	(731)	(202)
Amount transferred from expenses of future periods	(22)	(141)
Loans related to capital expenditures	(2,271)	667
Accounts payable and accrued liabilities	(492)	92
	561	2,009
	$ (746)	$ 199

(In thousands of dollars, except as noted)

11. Endowments and Internally Restricted Net Assets:

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.

The Board of Directors has designated certain net assets as internally restricted for research, specific program and working capital purposes. These net assets are to be used for their designated purposes unless otherwise determined by the Board of Directors.

In 2014, the Board of Directors authorized a transfer of $265 (2013 - $263) from unrestricted to internally restricted.

12. 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:

2015	$ 2,600
2016	2,008
2017	1,472
2018	1,179
2019	1,098
Thereafter	2,861

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.

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12. 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 $3,917 to fund special contributions for its defined benefit pension plan.

(c) Credit facility:

CNIB has a credit facility available to fund the renovations of the CNIB Centre, the purchase of land in Edmonton and restoration work to the pedestrian bridge in Toronto totaling $1,500 at prime plus 1.1%.

13. 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 $456 (2013 - $460) to its Alberta fundraising employees which are included in the fund development costs.

(In thousands of dollars, except as noted)

14. Allocation of expenses:

General support expenses have been allocated as follows:

	2014	2013
Community-based programs and services	$ 2,507	$ 2,455
Public education and advocacy	111	168
Research	10	27
Fund development	446	478
Retail lottery and gaming operations	215	192
	$ 3,289	$ 3,320

Fund development expenditures are not allocated.

15. 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.

15. Financial risks (continued):

(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 and limit concentration levels.

(c) Currency:

CNIB is exposed to currency risk arising from gains and losses due to 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.

There has been no change to the risk exposures from 2013.

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.