

COMMUNITY FUTURES BIG COUNTRY

Financial Statements

For the year ended March 31, 2016

COMMUNITY FUTURES BIG COUNTRY
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For the year ended March 31, 2016

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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Community Futures Big Country

We have audited the accompanying financial statements of Community Futures Big Country which comprise the statement of financial position as at March 31, 2016, and the statements of operations, 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

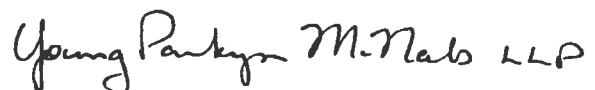
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Big Country 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.

Emphasis of matter

We draw attention to note 15 to the financial statements which describes the changes made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta
June 24, 2016



Chartered Accountants

COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	Loan investment funds					2016 Total	2015 Total (restated)
	Operating fund	General	Partnership	Restricted	Disabled		
ASSETS							
Current assets							
Cash	\$ 36,067	\$ -	\$ 119,548	\$ -	\$ 52,426	\$ 208,041	\$ 1,192,327
Internally restricted cash	11,206	-	-	-	-	11,206	11,122
Term deposits (note 3)	-	758,468	-	-	-	758,468	752,038
Accounts receivable	1,498	21	-	-	-	1,519	290,126
Interest receivable	-	26,887	1,223	1,769	-	29,879	31,507
GST receivable	3,463	-	-	-	-	3,463	2,854
Interfund receivable	-	697,158	182,112	-	71,687	950,957	939,530
Current portion of loans receivable	-	33,244	31,649	65,645	929	131,467	137,152
Prepaid expenses	1,328	-	-	-	-	1,328	1,328
	53,562	1,515,778	334,532	67,414	125,042	2,096,328	3,357,984
Loans receivable (note 5)	-	438,021	311,615	663,779	19,876	1,433,291	1,321,144
Investment in Pure North Badlands Ltd.	-	-	-	-	-	-	25,000
Investment in Hope Clinic	-	-	-	-	-	-	66,595
Community Futures Lending Investment Pool (note 4)	-	989,150	-	-	-	989,150	-
Capital assets (note 6)	332,266	-	-	-	-	332,266	327,283
	\$ 385,828	\$ 2,942,949	\$ 646,147	\$ 731,193	\$ 144,918	\$ 4,851,035	\$ 5,098,006
LIABILITIES AND FUND BALANCES							
Current liabilities							
Bank indebtedness	\$ -	\$ 5,700	\$ -	\$ -	\$ -	\$ 5,700	\$ -
Operating line (note 7)	-	-	611,263	-	-	611,263	663,263
Accounts payable and accrued liabilities	1,161	-	-	-	-	1,161	4,414
Payroll remittances	-	-	-	-	-	-	23,492
Interfund payable	208,460	-	-	742,497	-	950,957	939,530
Current portion of long-term debt	18,274	-	-	-	-	18,274	16,177
	227,895	5,700	611,263	742,497	-	1,587,355	1,646,876
Long-term debt (note 8)	83,551	-	-	-	-	83,551	101,806
Investment fund (note 9)	-	-	-	565,999	200,000	765,999	765,999
	311,446	5,700	611,263	1,308,496	200,000	2,436,905	2,514,681
Fund balances							
Unrestricted	(167,181)	-	-	-	-	(167,181)	(173,665)
Internally restricted (note 10)	11,122	-	34,884	-	-	46,006	30,042
Externally restricted	-	2,937,249	-	(577,303)	(55,082)	2,304,864	2,517,648
Invested in capital assets	230,441	-	-	-	-	230,441	209,300
	74,382	2,937,249	34,884	(577,303)	(55,082)	2,414,130	2,583,325
	\$ 385,828	\$ 2,942,949	\$ 646,147	\$ 731,193	\$ 144,918	\$ 4,851,035	\$ 5,098,006

Approved on behalf of the board

Director



Director



COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF OPERATIONS
For the year ended March 31, 2016

	Operating fund	Loan investment funds				2016 Total	2015 Total (restated)
		General	Partnership	Restricted	Disabled		
Revenue							
Western Economic Development	\$ 275,743	\$ -	\$ -	\$ -	\$ -	\$ 275,743	\$ 289,550
Interest income	707	47,184	34,235	57,367	-	139,493	175,256
Other revenue	22,400	5,428	1,076	-	-	28,904	25,563
Investment income - CFLIP	-	14,150	-	-	-	14,150	-
Loss on investments (note 11)	-	-	-	(91,595)	-	(91,595)	(16,120)
Starland project	-	-	-	-	-	-	3,509
	298,850	66,762	35,311	(34,228)	-	366,695	477,758
Expenses							
Bad debts	9,408	18,156	-	173,754	53,337	254,655	1,226,220
Wages and benefits	94,284	-	-	-	-	94,284	228,379
Professional fees	41,130	-	-	-	-	41,130	33,472
Interest and bank charges	1,299	-	19,347	-	-	20,646	20,825
Office	19,320	-	-	-	-	19,320	18,912
Advertising	13,700	-	-	-	-	13,700	14,379
Telephone and utilities	13,616	-	-	-	-	13,616	16,161
Information technology	11,850	-	-	-	-	11,850	7,739
Conferences	10,377	-	-	-	-	10,377	10,302
Travel and accommodation	7,494	-	-	-	-	7,494	3,634
Repairs and maintenance	7,313	-	-	-	-	7,313	8,054
Janitorial	6,518	-	-	-	-	6,518	5,314
Interest on long-term debt	6,424	71	-	-	-	6,495	7,899
Property taxes	4,719	-	-	-	-	4,719	4,413
Insurance	3,913	-	-	-	-	3,913	4,375
Meetings	1,162	-	-	-	-	1,162	4,829
Hope Health Initiative Project	-	-	-	-	-	-	4,129
Special projects	-	-	-	-	-	-	7,500
Amortization	18,698	-	-	-	-	18,698	15,904
	271,225	18,227	19,347	173,754	53,337	535,890	1,642,440
Excess (deficiency) of revenue over expenses before other expenses	27,625	48,535	15,964	(207,982)	(53,337)	(169,195)	(1,164,682)
Other (expenses) revenue							
Loss on disposal of assets	-	-	-	-	-	-	(10,821)
Insurance proceeds	-	-	-	-	-	-	10,617
Excess (deficiency) of revenue over expenses	\$ 27,625	\$ 48,535	\$ 15,964	\$ (207,982)	\$ (53,337)	\$ (169,195)	\$ (1,164,886)

COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2016

	Loan investment funds					2016 Total	2015 Total (restated)
	Operating fund	General	Partnership	Restricted	Disabled		
Fund balances							
Equity in capital assets, beginning of year	\$ 209,300	\$ -	\$ -	\$ -	\$ -	\$ 209,300	\$ 176,585
Purchase of capital assets	23,681	-	-	-	-	23,681	29,044
Disposal of capital assets	-	-	-	-	-	-	(10,821)
Repayment of long-term debt	16,158	-	-	-	-	16,158	15,202
Repayment of callable debt	-	-	-	-	-	-	15,194
Amortization	(18,698)	-	-	-	-	(18,698)	(15,904)
Equity in capital assets, end of year	230,441	-	-	-	-	230,441	209,300
Externally restricted funds, beginning of year							
As previously stated	-	3,056,166	-	(641,595)	(18,920)	2,395,651	3,533,664
Prior period adjustment (note 15)	-	(167,452)	-	272,274	17,175	121,997	-
As restated	-	2,888,714	-	(369,321)	(1,745)	2,517,648	3,533,664
Excess (deficiency) of revenue over expenses	-	48,535	-	(207,982)	(53,337)	(212,784)	(1,016,016)
Externally restricted funds, end of year	-	2,937,249	-	(577,303)	(55,082)	2,304,864	2,517,648
Internally restricted funds, beginning of year							
As previously stated	11,122	-	43,929	-	-	55,051	82,451
Prior period adjustment (note 15)	-	-	(25,009)	-	-	(25,009)	-
As restated	11,122	-	18,920	-	-	30,042	82,451
Excess (deficiency) of revenue over expenses	-	-	15,964	-	-	15,964	(52,516)
Interfund transfers	-	-	-	-	-	-	107
Internally restricted funds, end of year	11,122	-	34,884	-	-	46,006	30,042
Unrestricted funds, beginning of year							
As previously stated	(173,665)	-	-	-	-	(173,665)	(59,684)
Purchase of capital assets	(23,681)	-	-	-	-	(23,681)	(29,044)
Excess (deficiency) of revenue over expenses	27,625	-	-	-	-	27,625	(96,353)
Repayment of long-term debt	(16,158)	-	-	-	-	(16,158)	(15,202)
Amortization	18,698	-	-	-	-	18,698	15,904
Interfund transfers	-	-	-	-	-	-	(107)
Disposal of capital assets	-	-	-	-	-	-	10,821
Unrestricted funds, end of year	(167,181)	-	-	-	-	(167,181)	(173,665)
	\$ 74,382	\$ 2,937,249	\$ 34,884	\$ (577,303)	\$ (55,082)	\$ 2,414,130	\$ 2,583,325

COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF CASH FLOWS
For the year ended March 31, 2016

	Operating fund	Loan investment funds				2016 Total	2015 Total (restated)
		General	Partnership	Restricted	Disabled		
Cash flows from operating activities							
Excess (deficiency) of revenue over expenses	\$ 27,625	\$ 48,535	\$ 15,964	\$ (207,982)	\$ (53,337)	\$ (169,195)	\$ (1,164,886)
Items not involving cash:							
Loss on disposal of assets	-	-	-	-	-	-	10,821
Provision for credit losses	-	18,156	-	173,754	53,337	245,247	1,226,220
Amortization	18,698	-	-	-	-	18,698	15,904
Loss (gain) on investments	-	-	-	91,595	-	91,595	16,120
Unrealized gain on investment	-	(4,238)	-	-	-	(4,238)	-
	46,323	62,453	15,964	57,367	-	182,107	104,179
Net change in non-cash working capital items							
Accounts receivable	284,338	(3)	-	-	-	284,335	(298,089)
Interfund receivable	(265,930)	(72,818)	65,564	280,412	62	-	-
Prepaid expenses	-	-	-	-	-	-	534
Interest receivable	-	1,972	(566)	221	-	1,627	28,633
Due from equity investments	-	-	-	-	-	-	11,851
Due from Hope College	-	-	-	-	-	-	(16,471)
Accounts payable and accrued liabilities	(3,254)	-	-	-	-	(3,254)	(2,091)
Payroll remittances	(23,492)	-	-	-	-	(23,492)	20,294
GST receivable	609	-	-	-	-	609	(1,051)
	38,594	(8,396)	80,962	338,000	62	441,932	(152,211)
Loan payments	-	177,651	96,605	188,084	9,540	471,880	1,736,827
Loan advances	-	(275,001)	(22,504)	(526,084)	-	(823,589)	(1,298,229)
	38,594	(105,746)	155,063	-	9,602	90,223	286,387
Cash flows from investing activities							
Purchase of capital assets	(23,681)	-	-	-	-	(23,681)	(29,044)
Purchase of investments	-	(989,150)	-	-	-	(989,150)	(12,000)
	(23,681)	(989,150)	-	-	-	(1,012,831)	(41,044)
Cash flows from financing activities							
Repayment of long-term debt	(16,158)	-	-	-	-	(16,158)	(15,202)
(Decrease) increase in cash and equivalents	(1,245)	(1,094,896)	155,063	-	9,602	(931,476)	230,141
Cash and equivalents, beginning of year	48,518	1,847,663	(646,778)	-	42,821	1,292,224	1,062,083
Cash and equivalents, end of year	\$ 47,273	\$ 752,767	\$ (491,715)	\$ -	\$ 52,423	\$ 360,748	\$ 1,292,224
Cash and cash equivalents consists of:							
Cash	\$ 36,067	\$ -	\$ 119,548	\$ -	\$ 52,423	\$ 208,038	\$ 1,192,327
Internally restricted cash	11,206	-	-	-	-	11,206	11,122
Term deposits	-	758,468	-	-	-	758,468	752,038
Bank indebtedness	-	(5,701)	-	-	-	(5,701)	-
Operating line	-	-	(611,263)	-	-	(611,263)	(663,263)
	\$ 47,273	\$ 752,767	\$ (491,715)	\$ -	\$ 52,423	\$ 360,748	\$ 1,292,224

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

1. **Nature of operations**

Community Futures Big Country is incorporated under the Companies Act of Alberta. It is a community-based not-for-profit organization that provides community economic development and strategic planning, business advisory services, access to financial assistance as an alternative lender, and delivery of economic programs as required in Drumheller, Alberta and the surrounding area.

2. **Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The organization follows the restricted fund method of accounting and uses the following funds:

Operating fund:

The operating fund is charged with providing administration services to other funds within the control of the organization. The operating fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

General loan investment fund:

The general loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area.

Partnership loan investment fund:

The partnership loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area who have proven to be reliable businesses.

Restricted loan investment fund:

The restricted loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area.

Disabled loan investment fund:

The disabled loan investment fund is charged with providing loan financing to qualifying individuals who have a physical or mental impairment to start or expand business ventures in Drumheller and the surrounding area.

(b) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income includes interest income as well as realized gains and losses.

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

2. **Significant accounting policies, continued**

(c) Capital assets

Capital assets are recorded at cost. The organization provides for amortization in the operating fund using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One-half the normal rate is used in the year of acquisition.

Buildings and renovations	4%
Office equipment	20%
Furniture and fixtures	20%
Audio video equipment	20%
Computer equipment	45%

(d) Long-term investments

Long-term investments subject to significant influence or control are recorded using the equity method of accounting.

(e) Impaired loans and allowances for loan impairment

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of principal and interest. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

(f) Allowance for loan impairment

The allowance for loan impairment is maintained at a level considered adequate to absorb the credit losses existing in the organization's portfolio. It reflects management's best estimate of losses existing in the loan portfolio at the statement of financial position date. The allowance is increased by an annual provision for credit losses, which is charged against income and reduced by writeoffs, net of recoveries.

(g) Income taxes

The organization is operated exclusively for not-for-profit purposes and accordingly will be exempt from income taxes as long as it complies with the requirements of section 149(1)(l) of the Income Tax Act.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of management's estimates is the allowance for loan impairment. This estimate reflects management's best estimate based on the conditions and information available at the time of the preparation of the financial statements. Significant changes in these conditions could result in a different impairment of loan balances.

(i) Equity in capital assets

The organization has chosen to continue to treat equity in capital assets as a separate component of fund balances.

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

2. Significant accounting policies, continued

- (j) **Contributed services**
Volunteers contributed time to assist the organization in carrying out its operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
- (k) **Financial instruments**
The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost except for investments in securities traded in an active market, which are measured at fair value.

3. Term deposits

The Guaranteed Investment Certificate bears interest at 0.85% and matures on March 31, 2017.

4. Community Futures Lending Investment Pool

	2016	2015
Original investment	\$ 975,000	\$ -
Reinvested income	9,912	-
Unrealized gain	4,238	-
	\$ 989,150	\$ -

The funds invested in the Community Futures Lending Investment Pool are managed on behalf of the organization by Community Futures Network of Alberta. The organization has access to the funds at any time if they are required for loan purposes.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7% to 10% with monthly blended principal and interest repayments amortized for terms of between 12 and 180 months. Security is taken on these loans as appropriate and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance, and mortgages on land and buildings.

	Recorded loan	Allowance	Carrying value	Current portion	Long-term portion
General	\$ 1,014,746	\$ (543,481)	471,265	\$ 33,244	\$ 438,021
Partnership	391,813	(48,549)	343,264	31,649	311,615
Restricted	2,215,787	(1,486,363)	729,424	65,645	663,779
Disabled	334,141	(313,336)	20,805	929	19,876
	\$ 3,956,487	\$ (2,391,729)	1,564,758	\$ 131,467	\$ 1,433,291

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

6. **Capital assets**

	2016		2015	
	Cost	Accumulated amortization	Net	Net
Land	\$ 38,000	\$ -	\$ 38,000	\$ 38,000
Buildings	391,783	116,663	275,120	270,635
Office equipment	63,131	57,620	5,511	6,887
Furniture and fixtures	52,085	46,026	6,059	7,572
Audio video equipment	19,941	19,374	567	809
Computer equipment	80,948	73,939	7,009	3,380
	<u>\$ 645,888</u>	<u>\$ 313,622</u>	<u>\$ 332,266</u>	<u>\$ 327,283</u>

7. **Operating line**

The operating line of credit with Chinook Credit Union Ltd. bears interest at the prime rate plus 0.5% and can be drawn to a maximum of \$700,000. Interest is payable on the outstanding principal on a monthly basis. Security pledged consists of a collateral mortgage, an assignment of rents, an assignment of adequate insurance over buildings, a borrowing resolution and a general security agreement.

8. **Long term debt**

	2016	2015
Chinook Credit Union Ltd. This mortgage is repayable in monthly installments of \$1,924 including interest at 6.25%. Security pledged consists of specified land and building with a carrying value of \$308,635. This loan matured in 2016 and was renewed subsequent to year end.	\$ 101,825	\$ 117,983
Repayable within one year	18,274	16,177
	<u>\$ 83,551</u>	<u>\$ 101,806</u>

Estimated principal repayments based on currently accepted repayment terms are as follows:

2017	\$ 18,274
2018	19,047
2019	19,852
2020	20,692
2021	21,567
Subsequent years	2,393
	<u>\$ 101,825</u>

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

9. Investment fund

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund. In prior years, Western Economic Diversification provided contributions totaling \$765,999 to improve access to capital for qualifying business.

Upon notice of the Minister of Western Economic Development (the "Minister"), the organization must repay the lesser of the uncommitted cash balance within each of these funds and the amount of the repayable contributions within each fund. As of March 31, 2016 no such notice has been given by the Minister.

10. Internally restricted funds

Internally restricted cash represents funds received relating to contributions from the Drumheller & District Chamber of Commerce gift shop as well as interest earned thereon. These internally restricted amounts are available for community economic development and are not available for other purposes without the approval of the Board of Directors.

Additionally, the internally restricted funds contain the partnership fund which are funds reserved for loans meeting specific criteria set out by the Board of Directors.

11. Loss on investments

During the year, Community Futures Big Country wrote off investments in Hope Clinic for \$66,595 and Pure North Badlands Ltd. for \$25,000.

12. Interfund transfers

As per the agreement with the Minister of Western Diversification, for the year ended March 31, 2016 the organization has the right to transfer interest earned in the investment fund upon approval from Western Diversification to the operating fund.

No amounts were transferred during the year ended March 31, 2016.

13. Financial instruments

Credit risk

Credit risk arises from the potential that the entities to which the organization provides financing may experience difficulties and be unable to fulfill their obligations. The organization is exposed to financial risk that arises from the credit quality of the entities to which it provides services and loans.

Interest rate risk

The organization manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

COMMUNITY FUTURES BIG COUNTRY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

14. **Economic dependence**

The organization is economically dependent on Western Economic Diversification for its operating funds.

15. **Prior period adjustment**

The prior period allowance for doubtful accounts and bad debt expense has been adjusted as they included the allowance for doubtful interest, which was also recorded separately. In addition the current portion of loans receivable was incorrectly calculated. The effect of these adjustments are summarized below:

	As previously stated	Restated	Net change
Allowance for doubtful loans	\$ 2,470,593	\$ 2,373,604	\$ (96,989)
Loans receivable, net of allowance	1,361,307	1,458,296	96,989
Bad debt expense	1,323,209	1,226,220	(96,989)
Fund balances	2,486,336	2,583,325	96,989

16. **Comparative figures**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.