

Fred Victor Centre
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Members of Fred Victor Centre

We have audited the accompanying financial statements of Fred Victor Centre, which comprise the balance sheet as at March 31, 2016 and the statements of operations, changes in net 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 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 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 Fred Victor Centre 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 13, 2016

**Fred Victor Centre
Balance Sheet**

March 31 **2016** **2015**

Assets

Current

Cash	\$ 461,310	\$ 390,572
Accounts receivable (Note 12)	2,370,908	986,893
Prepaid expenses and deposits (Note 4)	275,886	60,472
	3,108,104	1,437,937

Marketable securities (Note 2 (a))	5,566,962	5,565,213
Capital assets (Note 3)	20,497,060	21,078,439
	\$ 29,172,126	\$ 28,081,589

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 2,422,122	\$ 1,313,216
Deferred operating grants	87,732	123,463
Current portion of mortgages payable (Note 5)	725,516	713,428
	3,235,370	2,150,107

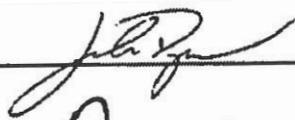
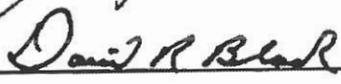
Mortgages payable (Note 5)	6,888,422	7,613,938
Deferred capital grants (Note 6)	14,406,260	13,958,234
	24,530,052	23,722,279

Commitments (Note 10)
Contingent liability (Note 11)

Net assets

Externally restricted	1,296,907	1,308,906
Internally restricted	400,000	400,000
General (Note 7)	2,945,167	2,650,404
	4,642,074	4,359,310
	\$ 29,172,126	\$ 28,081,589

On behalf of the Board:

 <hr style="border: 0.5px solid black;"/>	Director
 <hr style="border: 0.5px solid black;"/>	Director

The accompanying notes are an integral part of these financial statements.

Fred Victor Centre Statement of Operations

For the year ended March 31	2016	2015
Operating revenue		
Grants and subsidies (Note 8)	\$ 19,560,334	\$ 11,639,430
Donations	1,062,914	1,106,457
Rental revenue	502,528	534,359
Deferred grants (Note 9)	531,865	522,257
Incidental revenue	494,888	293,342
	22,152,529	14,095,845
Expenditures		
Salaries and wages	12,022,371	6,973,846
Benefits	2,564,780	1,382,241
Building occupancy (Note 4)	2,943,175	2,272,240
Interest expense	173,216	271,351
Office and general	634,619	888,531
Programs	2,028,995	995,978
Promotion and publications	26,823	22,392
Staff training and development	129,836	71,946
Minor capital purchases and repairs	127,069	77,555
Professional fees	469,959	360,143
Amortization	881,553	824,644
	22,002,396	14,140,867
Excess (deficiency) of revenue over expenditures before investment income	150,133	(45,022)
Investment income (Note 2 (b))	2,297	245,930
Excess of revenue over expenditures for the year	\$ 152,430	\$ 200,908

The accompanying notes are an integral part of these financial statements.

Fred Victor Centre
Statement of Changes in Net Assets

For the year ended March 31

				2016	2015
	Externally Restricted	Internally Restricted	General (Note 7)	Total	Total
Net assets, beginning of year	\$1,308,906	\$ 400,000	\$ 2,650,404	\$ 4,359,310	\$ 3,993,633
Excess of revenue over expenditures for the year	-	-	152,430	152,430	200,908
Housing capital reserve grants received	120,789	-	-	120,789	117,441
Income earned on housing capital reserve	9,545	-	-	9,545	47,328
Transfer of funds expended for capital improvements	(142,333)	-	142,333	-	-
Net assets, end of year	\$1,296,907	\$ 400,000	\$ 2,945,167	\$ 4,642,074	\$ 4,359,310

The accompanying notes are an integral part of these financial statements.

Fred Victor Centre
Statement of Cash Flows

For the year ended March 31	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	\$ 152,430	\$ 200,908
Adjustments required to reconcile excess of revenue over expenditures with cash provided by operating activities		
Unrealized loss (income) on investments (Note 2 (b))	110,351	(131,797)
Amortization of capital assets	881,553	824,644
Amortization of deferred capital grants	(512,643)	(510,357)
Excess asset value over consideration, recorded as donation revenue (Note 15)	(127,310)	-
Changes in non-cash working capital balances		
Accounts receivable	(1,332,688)	40,390
Prepaid expenses and deposits	(170,734)	3,223
Accounts payable and accrued liabilities	331,118	(138,837)
Deferred operating grants	(110,508)	53,952
	<u>(778,431)</u>	<u>342,126</u>
Investing activities		
Purchase of capital assets	(218,364)	(68,348)
Net cash from acquisition of CRCT (Note 15)	802,058	-
Sale (purchase) of marketable securities, net	(112,100)	259,346
	<u>471,594</u>	<u>190,998</u>
Financing activities		
Mortgage principal repayment	(713,428)	(669,990)
Income earned on housing capital reserve	9,545	47,328
Housing capital reserve grants received	120,789	117,441
Deferred capital grants received	960,669	100,985
	<u>377,575</u>	<u>(404,236)</u>
Increase in cash during the year	70,738	128,888
Cash, beginning of year	390,572	261,684
Cash, end of year	\$ 461,310	\$ 390,572

The accompanying notes are an integral part of these financial statements.

Fred Victor Centre Notes to Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies

Nature of Operations

Fred Victor Centre (the "Organization") improves the health, income and housing stability of people experiencing poverty and homelessness. This is achieved through programs and services at locations across Toronto, providing affordable housing, emergency shelter, food access, mental health and other health supports, job training and counselling, and specialized support programs.

The Organization is incorporated without share capital under the Corporations Act (Ontario) and is a charitable corporation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of revenue recognition. Under the deferral method, grants, specified donations and externally restricted monies received in the year for expenses to be incurred in the following fiscal years are recorded as deferred revenue.

Rent revenue is recognized when the service has been provided and collectibility is reasonably assured.

Investment income includes interest, dividends and realized and unrealized gains and losses. Investment income is recognized as revenue when earned.

Non-capital donation, legacy and bequest revenue is recorded when funds are received.

Donations specified for capital purchases are deferred and recorded as revenue over the same period as the underlying assets are amortized and are included in deferred capital grants.

Incidental revenue consists of catering and miscellaneous services which are recognized when the service has been provided and collectibility is reasonably assured.

Fred Victor Centre Notes to Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Organization records equity investment pooled funds, money market funds and fixed income pooled funds at fair value with changes in fair value recognized in the statements of operations or in the externally restricted fund. Accounts receivable, mortgages, accounts payable and accrued liabilities and other financial liabilities are initially recognized at fair value and subsequently at amortized cost. Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	- 2.5% straight-line basis
Restaurant improvements	- 7 years straight-line basis
Furniture and equipment	- 3 years straight-line basis
Leasehold improvements	- 25 years straight-line basis over the term of the lease

Employee Retirement Benefits

The Organization provides a RRSP savings plan for eligible non-bargaining unit and OPSEU bargaining unit employees. Employees contribute 4% of gross earnings, and the Organization contributes 6.5% of the employee's gross earnings to the plan. The expense for the year was \$362,980 (2015 - \$323,423) and is included in benefits on the statement of operations.

Eligible SEIU employees are enrolled in the Multi-Sector Pension Plan. Employees contribute 2% of applicable wages and the Organization contributes 6% of applicable wages to the plan. The expense for the year was \$194,029 (2015 - \$nil) and is included in benefits on the statement of operations.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Fred Victor Centre Notes to Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Asset Impairment

In the event that facts and circumstances indicate that the Organization's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Organization considers that no circumstances exist that would require such an evaluation.

Restricted Net Assets

Restricted net assets are funds that are externally restricted by The Shelter, Support and Housing Administration Division of the City of Toronto ("the Division") for specified approved expenditures. Contributions and expenditures are recognized in the respective fund when the amount is received or the obligation incurred. The Division mandates that a portion of the subsidies it pays to sustain affordable social housing be segregated and invested in certificates of deposit and money market funds. These funds are invested with Phillips, Hager & North Investment Funds Ltd. as per the funder's requirements. These funds may be used exclusively for the maintenance and upgrade of the facilities it supports.

Internally Restricted Net Assets

Internally restricted net assets represents funds that have been set aside for future capital acquisitions, as approved by the Board of Directors. The funds are not available for the Organization's general operations.

Donated Services

The Organization's activities include time donated by a number of volunteers. Since no objective basis exists for recording and assigning values to these services, they are not reflected in the accompanying financial statements.

Allocation of Expenses

The Organization incurs salaries and benefits expenses and general and administrative support expenses that are common to the administration of the Organization and to each project that it operates. Salaries and benefits are allocated proportionately based on the percentage of time spent on that project. General and administrative support expenses are allocated based on the percentage used on each project.

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

2. Marketable Securities

(a)	2016	2015
Cash	\$ 45,523	\$ 98,579
Fixed income pooled funds	2,530,305	2,504,834
Equity investment pooled funds	1,353,505	1,337,100
Money market funds	1,637,629	1,624,700
	\$ 5,566,962	\$ 5,565,213

Marketable securities includes cash and money market trust units of \$1,296,907 (2015 - \$1,308,909) which were held specifically with Phillips, Hager & North Investment Funds Ltd. for housing capital reserves as mandated by the City of Toronto Department of Shelter, Housing and Support.

(b)	2016	2015
Realized investment gains	\$ 5,907	\$ 4,896
Interest and dividends	120,967	134,435
Unrealized investment (losses) gains	(110,351)	131,797
Investment counsel fees	(14,226)	(25,198)
	\$ 2,297	\$ 245,930

3. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	\$ 29,025,600	\$ 11,002,275	\$ 28,882,595	\$ 10,294,426
Land	460,001	-	460,001	-
Restaurant improvements	565,424	565,424	565,424	565,424
Furniture and equipment	449,132	345,705	291,963	291,963
Leasehold improvements	2,999,043	1,088,736	2,999,043	968,774
	\$ 33,499,200	\$ 13,002,140	\$ 33,199,026	\$ 12,120,587
Net book value		\$ 20,497,060		\$ 21,078,439

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

4. Addiction Supportive Housing Program

Included in building occupancy expense are rent expenses of \$96,308 (2015 - \$96,792) related to the Addiction Supportive Housing program. Prepaid expenses and deposits includes \$25,186 (2015 - \$17,796) of rental deposits.

5. Mortgages Payable

	2016	2015
Royal Bank of Canada - Repayment terms are \$20,139 monthly, including principal and interest at 2.418% due October 1, 2019. The 139 Jarvis Street property has been pledged as collateral, with a net book value as of March 31, 2016 of \$5,294,024 (2015 - \$5,442,336).	\$ 1,872,468	\$ 2,066,547
Royal Bank of Canada - Repayment terms are \$39,370 monthly, including principal and interest at 2.418% due October 1, 2019. The 147 Queen Street East property has been pledged as collateral, with a net book value as of March 31, 2016 of \$9,991,541 (2015 - \$10,331,038).	3,660,528	4,039,941
Royal Bank of Canada - Repayment terms are \$15,986 monthly, including principal and interest at 2.418% due October 1, 2019. The Mortimer Avenue Housing property has been pledged as collateral, with a net book value as of March 31, 2016 of \$2,737,759 (2015 - \$2,814,793).	2,080,942	2,220,878
	7,613,938	8,327,366
Less: current portion	(725,516)	(713,428)
	\$ 6,888,422	\$ 7,613,938

Principal repayments for the next four years are as follows:

2017	\$ 730,784
2018	748,561
2019	766,771
2020	5,367,822
	\$ 7,613,938

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

5. Mortgages Payable (continued)

Interest and principal payments are subsidized by the City of Toronto Department of Shelter, Housing and Support. Subsidies are recognized as revenue in the period the related interest and principal payments are due.

Effective January 1, 1960, the titles to the housing properties at 139 Jarvis Street and 147 Queen Street East were transferred to Fred Victor Centre from the Toronto United Church Council (the "Council") in consideration for one dollar and a mortgage on the property to the value of the Council's investment in Fred Victor Centre as carried on the Council's books (\$1,127,948). Title for the Mortimer Avenue Housing property is held by the Toronto United Church Council.

The mortgage with the Toronto United Church Council for 139 Jarvis Street and 147 Queen Street East is repayable only in the event of a sale of the property or discontinuance of its intended use. As this contingent event has not occurred, no liability has been recognized. Interest accrues at a simple rate of 5% from the date of the advancement of the funds by the Council to build the present Fred Victor Centre premises, to the date of repayment. Principal and accrued simple interest as at year end, calculated from January 1, 1960, amounted to \$4,356,699 (2015 - \$4,300,302). This mortgage has been subordinated in favour of the mortgages payable to the Royal Bank of Canada.

6. Deferred Capital Grants

	<u>2016</u>	<u>2015</u>
Deferred capital grants comprise the following:		
St. James Bond United Church grant	\$ 226,410	\$ 240,270
Deferred capital donations	2,097,552	1,252,121
City of Toronto and provincial grants	1,726,961	1,830,632
Social Housing Renovation and Retrofit program - Phase 1 construction	7,258,328	7,454,499
Province of Ontario - Phase 2 construction	3,097,009	3,180,712
	<u>\$ 14,406,260</u>	<u>\$ 13,958,234</u>

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

7. General Fund

	<u>2016</u>	<u>2015</u>
Unrestricted funds	\$ 4,468,305	\$ 3,857,565
Capital assets	20,497,060	21,078,439
Mortgages payable	(7,613,938)	(8,327,366)
Deferred capital grants	<u>(14,406,260)</u>	<u>(13,958,234)</u>
	<u>\$ 2,945,167</u>	<u>\$ 2,650,404</u>

8. Grants and Subsidies

Grants and subsidies recognized in the year were as follows:

	<u>2016</u>	<u>2015</u>
City of Toronto:		
Housing	\$ 3,045,614	\$ 2,925,885
Hostel	2,639,003	2,666,706
Housing Access and Support Services	765,869	732,013
Employment Training Program	63,822	204,210
Transitional Housing Program	406,866	406,866
Food Access Program	18,620	37,239
Women's Drop-In Program	1,035,753	165,563
Emergency Hostel Redirect	151,754	133,923
Harm Reduction Program	33,268	29,332
Supports to Daily Living	150,858	150,858
Social Service Trainee	38,375	40,711
Streets to Homes	233,292	260,097
On the Paths to Employment	127,582	102,559
Transition to Housing	1,857,207	609,343
Opportunities for People with Lived Experience with Homelessness	157,769	115,366
City of Toronto Other	515,840	148,873
Ministry of Health and Long-term Care:		
Community Mental Health	5,642,928	-
Open House Drop-In	548,923	548,923
Housing	624,538	612,132
Other	457,459	652,459
Youth Employment Fund	35,378	202,800
Human Resources and Skills Development Canada	684,703	664,538
Other	<u>324,913</u>	<u>229,034</u>
	<u>\$ 19,560,334</u>	<u>\$ 11,639,430</u>

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

9. Deferred Grants

Deferred grants recognized in the year were as follows:

	2016	2015
Deferred grants - capital amortization	\$ 512,643	\$ 510,357
Deferred grants - operating	19,222	11,900
	\$ 531,865	\$ 522,257

10. Commitments

(a) The Organization has the following operating leases for its premises:

- 59 Adelaide Street East, \$5,933 average monthly with an expiry of April 30, 2020
- 100 Lombard Street, \$2,815 average monthly with an expiry of August 31, 2017
- 418 Dawes Road, \$37,599 monthly with an expiry of May 2032
- 210 Dundas Street West, \$11,662 monthly with an expiry of March 2021
- 386 & 388 Dundas Street East, \$26,875 monthly with an expiry of June 2020

The minimum annual lease payments for the next five years and thereafter are as follows:

2017	\$ 1,018,531
2018	1,002,170
2019	987,976
2020	987,976
2021	677,945
Thereafter	5,038,199

(b) In early 2012, the Organization was notified that it was the successful proponent for Block 03, a 108 unit building to be constructed in the West Don Lands. In June of 2012, the Organization entered into an agreement of purchase and sale for Block 03. The agreement committed the Organization to an investment of \$8.1 million. See Note 16 for further details.

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

11. Contingent Liability

The Organization received grants from the City of Toronto and the Province of Ontario with respect to the Dawes Road premises. \$551,000 of the funding that was received from the City of Toronto has been provided to the Organization as a forgivable loan, so long as the Organization is in good standing under the terms of the Loan and Grant Agreement, the Affordable Housing Agreement and the Security Documents as of each anniversary date of the loan payments.

12. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 1,539,074	\$ 693,166
HST receivable	603,103	164,882
Other	<u>228,731</u>	<u>128,845</u>
	<u>\$ 2,370,908</u>	<u>\$ 986,893</u>

13. Financial Instrument Risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The Organization manages its portfolio investments based on its cash flow needs with a view of optimizing its investment income. The Organization is also subject to interest risk in terms of fair value fluctuations since the mortgages bear interest at fixed rates. This risk has not changed from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk arising from its accounts receivable. The majority of the Organization's receivables are from government sources and the Organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding. This risk has not changed from the prior year.

Market risk

The Organization is subject to market risk. The value of its marketable securities will fluctuate as a result of changes in market prices or other factors affecting the values of the investments. This risk has not changed from the prior year.

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

14. Operating, Overhead and Executive Expense Allocations

Certain operating, overhead and executive expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred.

	<u>2016</u>	<u>2015</u>
Summary of expenses:		
Facilities	\$ 479,558	\$ 496,124
Human resources	388,269	275,704
Finance	542,033	349,248
General	323,885	228,143
	<u>\$ 1,733,745</u>	<u>\$ 1,349,219</u>
Summary of allocations:		
Salaries and wages	\$ 1,012,878	\$ 866,904
Benefits	216,527	180,788
Building occupancy	131,231	137,999
Office and general	155,161	81,341
Staff training and development	4,530	3,944
Professional fees	213,418	78,243
	<u>\$ 1,733,745</u>	<u>\$ 1,349,219</u>

Fred Victor Centre
Notes to Financial Statements

March 31, 2016

15. Acquisition of Assets of Community Resource Connections of Toronto ("CRCT")

On April 1, 2015, the Organization paid \$1 to acquire the assets and assume the liabilities of CRCT, a multi-service organization that provides community support, court support services, outreach services and consultant services in the field of mental health. The acquisition met the definition of a business and is accounted for using Canadian Accounting Standards for Private Enterprises, Section 1582 Business Combinations. The Organization is carrying on the activities of CRCT. The assets acquired included cash, accounts receivable, prepaid expenses, and capital assets. The purchase price allocation is as follows:

Assets acquired:

Cash	\$ 802,059
Accounts receivable	51,327
Prepaid expenses	44,680
Capital assets	<u>81,810</u>
Total	<u>\$ 979,876</u>

Assumed Liabilities:

Accounts payable and accrued liabilities assumed at fair value	\$ 777,788
Deferred operating grants assumed at fair value	<u>74,777</u>
Total	<u>\$ 852,565</u>
Net assets acquired	<u>\$ 127,311</u>

Consideration:

Cash	<u>\$ 1</u>
Excess net asset value over consideration, recorded as donation revenue	<u>\$ 127,310</u>

**Fred Victor Centre
Notes to Financial Statements**

March 31, 2016

16. Subsequent Event

In early 2012, the Organization was notified that it was the successful proponent for Block 03, a 108 unit building to be constructed in the West Don Lands. In June of 2012, the Organization entered into a \$27.1 million agreement of purchase and sale for Block 03.

The agreement committed the Organization to an investment of \$8.1 million, while the Province of Ontario agreed to contribute the remaining \$19.0 million in the form of a forgivable loan over a 20-year term. Interest will accrue on each anniversary date of the loan, but will automatically be forgiven as long as the requirements of the agreement are satisfied. At maturity, the loan will be extinguished as long as the building continues to be used for its intended purpose, as defined in the agreement.

Subsequent to year-end, the Organization assumed ownership of this property and signed a 20-year mortgage for \$5,615,800 with First National Financial LP. Repayment terms are \$24,862 monthly, including principal and interest at 3.41% due June 1, 2036. The property has been pledged as security for the mortgage.

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.