

# **Support Our Troops Funds**

Financial Statements

**March 31, 2019**



## *Independent auditor's report*

To the Non-Public Property Board

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### *Our qualified opinion*

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Support Our Troops Funds (the Organization) as at March 31, 2019 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.

#### **What we have audited**

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of revenue and expense for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for qualified opinion*

In common with many not-for-profit organizations, the Organization derives revenues from donations, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, net revenue and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018 and fund balances as at the beginning and the end of the years ended March 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## **Independence**

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
November 25, 2019

# Support Our Troops Funds

## Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	90,583	84,095
Due from Canadian Forces Central Fund (note 8)	19,859,912	19,219,701
Inventory	20,466	38,183
Current portion of small-preventive loans receivable (note 4)	2,227,696	2,208,033
Current portion of distress loans receivable (note 4)	657,626	728,970
Current portion of education loans receivable (note 4)	52,291	92,960
	<u>22,908,574</u>	<u>22,371,942</u>
<b>Small-preventive loans receivable (note 4)</b>	1,059,721	924,833
<b>Distress loans receivable (note 4)</b>	904,479	981,411
<b>Education loans receivable (note 4)</b>	64,151	8,870
<b>Intangible assets (note 6)</b>	241,048	89,570
	<u>25,177,973</u>	<u>24,376,626</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	4,305	4,850
Trust liabilities (note 5)	196,629	138,210
	<u>200,934</u>	<u>143,060</u>
<b>Net assets</b>		
Unrestricted – Grants (note 3 and schedule A)	5,346,328	5,180,062
Unrestricted – Loan Program (note 3 and schedule A)	16,708,960	16,708,960
Externally restricted – Grants (note 2)	2,372,590	2,318,959
Externally restricted – Endowments (note 7)	549,161	25,585
	<u>24,977,039</u>	<u>24,233,566</u>
	<u>25,177,973</u>	<u>24,376,626</u>

Approved on Behalf of the NPP Board



Shirley Tang-Jassemi, Chief Financial Officer

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

# Support Our Troops Funds

## Statement of Revenue and Expense

For the year ended March 31, 2019

				2019	2018
	Unrestricted \$	Externally restricted – Grants \$	Externally restricted – Endowments \$	Total \$	Total \$
<b>Revenue</b>					
Donations	799,746	1,627,811	520,000	2,947,557	2,558,331
Interest on deposits	953,715	89,944	4,076	1,047,735	1,054,529
Contributions from levies	283,617	-	-	283,617	362,492
Interest on loans receivable	233,257	-	-	233,257	252,541
Other	218,055	108,312	-	326,367	80,857
	<u>2,488,390</u>	<u>1,826,067</u>	<u>524,076</u>	<u>4,838,533</u>	<u>4,308,750</u>
<b>Expense</b>					
Program	1,439,264	1,728,436	500	3,168,200	3,784,188
Fundraising	613,717	3,093	-	616,810	342,780
Administration and other	269,429	40,621	-	310,050	408,500
	<u>2,322,410</u>	<u>1,772,150</u>	<u>500</u>	<u>4,095,060</u>	<u>4,535,468</u>
<b>Net revenue (expense) for the year</b>	<u>165,980</u>	<u>53,917</u>	<u>523,576</u>	<u>743,473</u>	<u>(226,718)</u>

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

## Support Our Troops Funds

### Statement of Changes in Net Assets

For the year ended March 31, 2019

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	Balance – Beginning of year \$	Net revenue (expense) for the year \$	Transfers \$	Balance – End of year \$
<b>Unrestricted</b>				
Unrestricted – Grants (note 3)	5,180,062	(510,165)	676,431	5,346,328
Unrestricted – Loan Program Grants (note 3)	16,708,960	676,145	(676,145)	16,708,960
	21,889,022	165,980	286	22,055,288
<b>Externally restricted – Grants</b>	2,318,959	53,917	(286)	2,372,590
<b>Externally restricted – Endowments</b>	25,585	523,576	-	549,161
	24,233,566	743,473	-	24,977,039

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

# Support Our Troops Funds

## Statement of Cash Flows

For the year ended March 31, 2019

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	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expense) for the year	743,473	(226,718)
Items not affecting cash		
Amortization of intangible assets	21,497	-
Recovery of provision on loans	(96,000)	61,000
Net change in non-cash working capital items		
Advances to Canadian Forces Central Fund	(640,211)	(1,708,154)
Inventory	17,717	71,013
Accounts payable and accrued liabilities	(545)	(34,399)
Trust liabilities	58,419	125,965
	<hr/> 104,350	<hr/> (1,711,293)
<b>Investing activities</b>		
Purchase of intangible assets	(172,975)	(89,570)
Small-preventive loans advanced	(3,341,901)	(2,929,397)
Distress loans advanced	(889,003)	(525,002)
Education loans advanced	(121,806)	11,564
Principal repayment of small-preventive loans	3,265,350	3,808,548
Principal repayment of distress loans	1,017,279	1,051,468
Principal repayment of education loans	145,194	399,805
	<hr/> (97,862)	<hr/> 1,727,416
<b>Net change in cash for the year</b>	6,488	16,123
<b>Cash – Beginning of year</b>	<hr/> 84,095	<hr/> 67,972
<b>Cash – End of year</b>	<hr/> <hr/> 90,583	<hr/> <hr/> 84,095

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



# Support Our Troops Funds

Notes to Financial Statements

March 31, 2019

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## 1 Authority, organization and purpose

Support Our Troops Funds (SOT or the Organization) is the official charitable cause of the Canadian Armed Forces (CAF) and a qualified donee of Her Majesty in Right of Canada. It exists to help CAF members and their families meet unique challenges and individual circumstances, most often associated with the demands of military service. The purpose of SOT is to provide financial assistance to serving or former members of the CAF and their dependants when warranted by distress or other deserving circumstances. These objectives are achieved by means of counselling and financial assistance in the form of self-improvement loans, distress loans, education loans and grants.

Non-Public Property (NPP), as defined under the National Defence Act, consists of money and property contributed by Canadian Forces members. The Organization operates under the authority of the Chief of the Defence Staff (CDS) in his NPP capacity.

In common with other non-public funds, the Organization is exempt from paying income tax under Part I of the Income Tax Act (Canada).

## 2 Summary of significant accounting policies

### Basis of accounting

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

### Fund accounting

Resources received and expended are classified for accounting and reporting purposes according to objectives specified externally by donors or internally by the CDS (note 3).

#### *Externally restricted – Grants*

**Soldier On** – Provides opportunities for ill and injured CAF members and veterans to adopt an active and healthy lifestyle through participation in recreational, sporting and other physically challenging activities. Support from the fund is for those not covered through public funds. Examples of the type of expenditures include grants for specialized equipment and travel/participation in events.

**Boomer's Legacy** – The mission of Boomer's Legacy is "Helping Our Troops Help Others." This program is used to fund projects identified by CAF members, inside or outside of Canada, that would otherwise be unaddressed, in order to provide an opportunity for goodwill and a positive view of the CAF members in the eyes of the local population being assisted through the project.

**SOT Restricted** – Programs include support for: Mom's and Families, Camps, the "We Have Superpowers" Book and the Edmonton MFRC.

# Support Our Troops Funds

## Notes to Financial Statements

March 31, 2019

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**Licence Plate Program** – Funds are received from the sale of specialty Support Our Troops Licence Plates from the provinces of Alberta, Manitoba and Saskatchewan and used within each province.

### *Externally restricted – Endowments*

**Cpl Ronald MacDonald Trust** – Mrs. Isabelle MacDonald established a Memorial Trust Fund in memory of her son, Corporal Ronald MacDonald, who died on December 10, 1975, while serving with the Canadian Forces in West Germany. The purpose of the fund, established on January 1, 1977, is to assist in alleviating financial problems incurred by members of the CAF and their families. Grants are paid out of the Memorial Trust Fund to a maximum of \$500 per case. The original contribution of \$20,000 is to remain in perpetuity.

**Rocky Mountain Rangers Museum and Archives** – Col WC Robertson, MC, OMM, CD, originally donated \$20,000 to the Rocky Mountain Rangers Museum and Archives to support an annual scholarship(s) for members in good standing of The Rocky Mountain Ranger(s), a Canadian Forces Reserve Regiment. Bursaries paid out of the trust fund will be no less than \$300. The original contribution of \$20,000 is to remain in perpetuity.

**The George and Helen Vari Foundation Canadian Armed Forces Education Fund** – The George and Helen Vari Foundation established an Education Fund to support education for active members of the CAF. Contributions are to remain in perpetuity. Disbursements from the annual interest are to be divided as follows: \$3,000 to the Toronto Scottish Regiment; and the remaining to be used for education for active members of the CAF.

### **Loans receivable**

Loans receivable are measured at amortized cost using the effective interest rate method less provision for loan losses.

### **Intangible assets**

Intangible assets are initially recorded at cost and are then amortized on a straight-line basis at the following annual rates:

Website	24% per annum
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### **Revenue recognition**

Externally restricted contributions (including donations and sponsorships) are recognized as revenue of the appropriate externally restricted fund and unrestricted contributions are recognized as revenue of the appropriate unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions received that relate to a future year are deferred and recorded as revenue in the year to which they relate.

# Support Our Troops Funds

## Notes to Financial Statements

March 31, 2019

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Contributions from the Canadian Forces Central Fund (CFCF) are recorded monthly on allocation in accordance with the January 2004 agreement between CFCF and SOT. These contributions are comprised of 0.25% from the Canadian Forces Bases/Wings/Unit Funds and Messes retail sales.

Donations in-kind are recorded at their fair values in the year received or receivable.

### Grants

Grants are recorded as an expense when paid or when conversions of loans to grants are approved by the SOT manager.

### Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. The estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period that they become known.

## 3 Net assets – Unrestricted funds

**Grants** – Provides emergency financial support to members, veterans and their respective families in financial distress and/or hardship. Other initiatives include: education loans, scholarships, camp grants, special needs grants, Christmas care packages for all deployed CAF members and the provision of the basic comforts of home to CAF members hospitalized for more than 48 hours. The SOT Fund also benefits from various NPP fundraising events.

**Support Our Troops Loan Program** – The purpose of the Support Our Troops Loan Program is to provide financial support through low interest loans to members, veterans and their respective families. Available loan programs include: the Small-preventive Loan, the Distress Loan and the Education Loan (note 4). The loan program is protected at a value of \$16,708,960.

## 4 Loans receivable

Small-preventive loans

Member loans range from \$1,000 to \$5,000. Terms of repayment are up to 30 months and bear an annual interest rate of 5.50%.

Distress loans

Individual loans of up to \$25,000 may be granted with payment terms extending to five years and bear an annual interest rate of 2.00%.

# Support Our Troops Funds

## Notes to Financial Statements

March 31, 2019

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### Education loans

Applicants may request a maximum of \$5,000 per student with repayment over 12, 24, 36 or 48 months at a fixed annual interest rate of 3.45% (2018 – 3.00%). The lifetime maximum per student is \$20,000 (2018 – \$16,000).

Loans receivable are comprised of the following.

	Small-preventive		Distress		Education	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Loans receivable	3,426,417	3,349,866	1,858,105	1,986,381	121,442	144,830
Loan loss provision	(139,000)	(217,000)	(296,000)	(276,000)	(5,000)	(43,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,287,417	3,132,866	1,526,105	1,710,381	116,442	101,830
Less: Current portion	2,227,696	2,208,033	657,626	728,970	52,291	92,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Long-term portion	1,059,721	924,833	904,479	981,411	64,151	8,870

SOT does not require collateral of other security to support loans advances to serving and former members of the CAF. All of the loan repayment programs are either by monthly automatic deductions from payroll through the pay allotment system or by monthly pre-authorized debit.

## 5 Trust liabilities

SOT administers the Distress Trust Fund, which was established to provide distressed individuals and their immediate families with loans or grants to provide immediate relief. The loans and grants are determined by SOT and payments are distributed on receipt of invoices or supporting documents.

	2019	2018
	\$	\$
<b>Balance – Beginning of year</b>	138,210	12,245
Receipts	1,206,415	933,546
Disbursements	(1,147,996)	(807,581)
	<hr/>	<hr/>
<b>Balance – End of year</b>	196,629	138,210

# Support Our Troops Funds

Notes to Financial Statements

March 31, 2019

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## 6 Intangible assets

			2019	2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Website	262,545	21,497	241,048	89,570

## 7 Net assets externally restricted – Endowments

The following is a summary of endowment movements for the year.

	Balance – Beginning of year \$	Donations \$	Interest on deposits \$	Expense \$	Balance – End of year \$
Cpl Ronald MacDonald Trust	25,585	-	1,444	(500)	26,529
Rocky Mountain Rangers Museum and Archives	-	20,000	282	-	20,282
The George and Helen Vari Foundation Canadian Armed Forces Education Fund	-	500,000	2,350	-	502,350
	25,585	520,000	4,076	(500)	549,161

## 8 Due from Canadian Forces Central Fund

Amounts due from CFCF are interest bearing. CFCF and SOT both operate under the authority of the CDS in his NPP capacity.

## 9 Government remittances

Government remittances of \$nil (2018 – \$nil) are included in accounts payable and accrued liabilities.

# Support Our Troops Funds

## Schedule A – Revenue and Expense and Changes in Net Assets

For the year ended March 31, 2019

	Unrestricted			Externally restricted – Grants					Externally restricted – Endowments	2019	2018
	Grants \$	SOT Loan Program \$	Total \$	Boomer's Legacy \$	SOT Restricted \$	Soldier On \$	License Plate Program \$	Total \$	Total \$	Total \$	Total \$
<b>Revenue</b>											
Non-philanthropic											
Interest on deposits	333,315	620,400	953,715	-	-	-	89,944	89,944	4,076	1,047,735	1,054,529
Contributions from levies (note 2)	283,617	-	283,617	-	-	-	-	-	-	283,617	362,492
Interest on loans receivable	-	233,257	233,257	-	-	-	-	-	-	233,257	252,541
Program rebates	78,996	-	78,996	-	-	-	-	-	-	78,996	58,411
Merchandise sales	5,952	-	5,952	-	-	-	-	-	-	5,952	27,402
Sponsorships	-	-	-	-	-	-	-	-	-	-	(7,738)
Partnerships	119,127	-	119,127	-	104,344	-	-	104,344	-	223,471	-
Philanthropic											
Donations	799,746	-	799,746	24,877	48,102	1,269,680	285,152	1,627,811	520,000	2,947,557	2,369,150
Donations in-kind	-	-	-	-	-	-	-	-	-	-	189,181
Other	13,980	-	13,980	-	-	3,968	-	3,968	-	17,948	2,782
	<u>1,634,733</u>	<u>853,657</u>	<u>2,488,390</u>	<u>24,877</u>	<u>152,446</u>	<u>1,273,648</u>	<u>375,096</u>	<u>1,826,067</u>	<u>524,076</u>	<u>4,838,533</u>	<u>4,308,750</u>
<b>Expense</b>											
Program											
Good works grants	1,439,264	-	1,439,264	148,188	68,681	1,226,847	284,720	1,728,436	500	3,168,200	3,595,007
Donations in-kind	-	-	-	-	-	-	-	-	-	-	189,181
Fundraising											
Salaries and benefits	258,256	-	258,256	-	-	-	-	-	-	258,256	-
Contract services	291,977	-	291,977	-	-	-	-	-	-	291,977	312,344
Marketing	63,484	-	63,484	-	-	3,093	-	3,093	-	66,577	30,436
Administration and other											
Bad debts	-	177,512	177,512	-	-	-	-	-	-	177,512	270,476
Administrative fees	3,654	-	3,654	2,190	-	394	-	2,584	-	6,238	5,301
Amortization of intangible assets	15,478	-	15,478	2,365	-	3,654	-	6,019	-	21,497	-
Other	72,785	-	72,785	1,200	-	1,008	29,810	32,018	-	104,803	132,723
	<u>2,144,898</u>	<u>177,512</u>	<u>2,322,410</u>	<u>153,943</u>	<u>68,681</u>	<u>1,234,996</u>	<u>314,530</u>	<u>1,772,150</u>	<u>500</u>	<u>4,095,060</u>	<u>4,535,468</u>
<b>Net revenue (expense) for the year</b>	(510,165)	676,145	165,980	(129,066)	83,765	38,652	60,566	53,917	523,576	743,473	(226,718)
Transfers	676,431	(676,145)	286	-	-	-	(286)	(286)	-	-	-
<b>Net assets – Beginning of year</b>	<u>5,180,062</u>	<u>16,708,960</u>	<u>21,889,022</u>	<u>427,077</u>	<u>32,317</u>	<u>170,737</u>	<u>1,688,828</u>	<u>2,318,959</u>	<u>25,585</u>	<u>24,233,566</u>	<u>24,460,284</u>
<b>Net assets – End of year</b>	<u>5,346,328</u>	<u>16,708,960</u>	<u>22,055,288</u>	<u>298,011</u>	<u>116,082</u>	<u>209,389</u>	<u>1,749,108</u>	<u>2,372,590</u>	<u>549,161</u>	<u>24,977,039</u>	<u>24,233,566</u>