

FINANCIAL STATEMENTS
For
CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
For year ended
MARCH 31, 2009

AUDITORS' REPORT

To the Non-Public Property Board

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

We have audited the statement of financial position of the Canadian Forces Personnel and Family Support Services as at March 31, 2009 and the statements of changes in net assets, revenue and expense and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the changes in its net assets, the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 12, 2009.

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,300	\$ 1,300
Accounts receivable	2,858,700	4,062,232
Prepaid expenses	<u>420,911</u>	<u>413,694</u>
	3,280,911	4,477,226
 CAPITAL ASSETS (note 5)	 <u>2,585,516</u>	 <u>1,520,664</u>
	<u>\$ 5,866,427</u>	<u>\$ 5,997,890</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 710,709	\$ 907,469
Due to Canadian Forces Central Fund (note 6)	<u>768,480</u>	<u>2,070,306</u>
	<u>1,479,189</u>	<u>2,977,775</u>
 NET ASSETS		
Unrestricted	81,460	373,231
Internally restricted (note 7)		
Future personnel costs (Public)	2,524,709	1,182,262
Future insurance costs	<u>1,781,069</u>	<u>1,464,622</u>
	<u>4,387,238</u>	<u>3,020,115</u>
	<u>\$ 5,866,427</u>	<u>\$ 5,997,890</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2009

	2009			2008	
	Unrestricted	Internally restricted		Total	
	Unrestricted	Future Personnel Costs (Public)	Future Insurance Costs	Total	Total
Balance, beginning of year	\$ 373,231	\$ 1,182,262	\$ 1,464,622	\$ 3,020,115	\$ 2,248,495
Net NPF operating revenue	-	-	-	-	83,254
Net Public programs and operating revenue	24,676	2,160,100	-	2,184,776	1,865,400
Employer costs charged to restricted future personnel costs - Public	-	(817,653)	-	(817,653)	(1,093,780)
Net revenue (expense)	<u>24,676</u> 397,907	<u>1,342,447</u> 2,524,709	<u>-</u> 1,464,622	<u>1,367,123</u> 4,387,238	<u>771,620</u> 3,020,115
Internally imposed restrictions	<u>(316,447)</u>	<u>-</u>	<u>316,447</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ 81,460	\$ 2,524,709	\$ 1,781,069	\$ 4,387,238	\$ 3,020,115

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
Revenue		
User Fees for Services		
Canadian Forces Exchange System (CANEX)	\$ 3,491,844	\$ 2,894,336
Service Income Security Insurance Plan (SISIP)	631,912	679,474
Base/Wing Funds/Messes	3,564,360	3,922,471
Canadian Forces Central Fund (CFCF)	350,000	493,073
Pension Administration	<u>165,000</u>	<u>165,000</u>
	<u>8,203,116</u>	<u>8,154,354</u>
Contributions		
CANEX Contribution to Non-Public Fund (NPF) Services and Operations	500,000	500,003
SISIP Contribution to Programs and Distributions	2,943,555	4,948,859
CFCF Contribution to Programs and Distributions	427,880	763,500
CFCF Contribution to NPF Services and Operations	2,615,581	1,639,586
Other Revenue	<u>249,766</u>	<u>216,622</u>
	<u>6,736,782</u>	<u>8,068,570</u>
	<u>14,939,898</u>	<u>16,222,924</u>
Expenses		
NPF Services		
NPF Accounting	3,939,089	3,589,691
Information Management/Information Technology (IM/IT)	2,668,879	2,223,157
Human Resources (HR) Management Services	2,756,425	2,638,697
Consolidated Insurance Program	<u>750,460</u>	<u>705,738</u>
	<u>10,114,853</u>	<u>9,157,283</u>
Corporate Operations		
Canadian Forces Personnel and Family Support Services (CFPFSS)		
Headquarters - note 1	431,187	165,832
Personnel Support Program (PSP) Management - Headquarters	3,012	152,061
Internal Audit and Review	-	217,110
NPP Contract Support	100,000	100,000
Corporate Services	<u>169,645</u>	<u>135,023</u>
	<u>703,844</u>	<u>770,026</u>
Programs		
Sports Grant	73,062	75,075
Conseil International du Sport Militaire (CISM)	291,451	168,002
Sports Banquet	164,573	179,264
Volunteers Recognition Program	84,855	86,627
Youth Program	421,252	587,838
Customer Relationship Management	22,450	230,370
Amenities	255	-
CF Discount Program	100,000	100,000
Sponsorship/Donation	<u>157,074</u>	<u>136,209</u>
	<u>1,314,972</u>	<u>1,563,385</u>
Distributions		
Capital Projects	-	1,858,999
CANEX/SISIP Morale and Welfare Grant	2,735,057	2,724,014
PSP Grant	<u>71,172</u>	<u>65,963</u>
	<u>2,806,229</u>	<u>4,648,976</u>
	<u>14,939,898</u>	<u>16,139,670</u>
Net NPF operating revenue before item below	-	83,254
Employer costs charged to restricted future personnel costs	-	<u>(83,254)</u>
Net NPF operating revenue (expense)	-	-
Net Public operating revenue - schedule A	<u>1,367,123</u>	<u>771,620</u>
Net revenue	<u>\$ 1,367,123</u>	<u>\$ 771,620</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net revenue	\$ 1,367,123	\$ 771,620
Item not affecting cash:		
Amortization	<u>715,151</u>	<u>746,971</u>
	2,082,274	1,518,591
Changes in level of:		
Accounts receivable	1,203,532	(3,016,980)
Prepaid expenses	(7,217)	(163,291)
Accounts payable and accrued liabilities	<u>(196,760)</u>	<u>(1,854,436)</u>
	<u>3,081,829</u>	<u>(3,516,116)</u>
Investing activities		
Purchase of capital assets	<u>(1,780,003)</u>	<u>(712,901)</u>
Financing activities		
Advances from (repayments to) Canadian Forces Central Fund	<u>(1,301,826)</u>	<u>2,070,306</u>
Decrease in cash	-	(2,158,711)
Cash at beginning of year	<u>1,300</u>	<u>2,160,011</u>
Cash at end of year	<u>\$ 1,300</u>	<u>\$ 1,300</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

1. NATURE OF OPERATIONS

Effective April 21, 2008, the Non-Public Property (“NPP”) Board approved a name change for the organization from the Canadian Forces Personnel Support Agency to the Canadian Forces Personnel and Family Support Services (“CFPFSS”).

CFPFSS is both a staff/headquarters organization for the NPP and Public funded programs, Public reimbursed NPP programs as well as Public funded programs. CFPFSS was formed to consolidate personnel and family support across the Canadian Forces under a single organization. As a result, CFPFSS Headquarters expenses have increased in the March 31, 2009 fiscal year end due to the transformation of the command and control structure in order to respond to the increased mandate. These expenses have been funded through a combination of budget transfers from another organization and CFPFSS internal reallocations.

In common with other non-public funds, CFPFSS is exempt from paying income tax under Part 1 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Capital assets*

Capital assets are recorded at cost and amortized at the following rates:

Buildings	5% straight-line
Office furniture	12% straight-line
Computer equipment	24% straight-line

(b) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Change in accounting policy*

The Canadian Institute of Chartered Accountants (“CICA”) issued a new accounting standard, Handbook Section 1535 (Capital Disclosures), which establishes standards for disclosure of an entity’s objectives, policies and processes for managing capital, quantitative data about what is considered capital and whether an entity has complied with any capital requirements and consequences of non-compliance with such capital requirements. The standard is effective for reporting periods beginning on or after October 1, 2007. CFPFSS applied the new accounting standard at the beginning of its current fiscal year and its implementation did not have an impact on its financial statements (note 10).

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CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2009

3. NEW ACCOUNTING STANDARDS

In September 2008, the CICA issued Handbook Section 4470 (Disclosure of Allocated Expenses by Not-for-Profit Organizations). This standard is effective for fiscal years beginning on or after January 1, 2009 and will apply to the organization's March 31, 2010 year end. This new section provides guidance on the disclosure requirement with respect to allocating fundraising and administrative costs. The organization is currently evaluating the impact this new standard will have on its financial statement disclosure.

On December 1, 2008, the CICA decided to defer the requirement for not-for-profit-organizations to adopt Handbook Sections 3862 (Financial Instruments - Disclosures) and 3863 (Financial Instruments - Presentation) and to permit these organizations to continue to apply Section 3861 (Financial Instruments - Disclosure and Presentation) instead. Since new financial instrument standards for not-for-profit-organizations may be forthcoming, the organization has decided to continue to apply Section 3861 and has not adopted Sections 3862 and 3863.

4. FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities and due to Canadian Forces Central Fund. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

5. CAPITAL ASSETS

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Office furniture	\$ 292,772	\$ 175,311	\$ 117,461	\$ 54,132
Buildings	529,606	6,236	523,370	-
Computer equipment	<u>6,693,193</u>	<u>4,748,508</u>	<u>1,944,685</u>	<u>1,466,532</u>
	<u>\$ 7,515,571</u>	<u>\$ 4,930,055</u>	<u>\$ 2,585,516</u>	<u>\$ 1,520,664</u>

6. DUE TO CANADIAN FORCES CENTRAL FUND (CFCF)

The amount due to CFCF represents the net amount owing to CFCF at March 31, 2009 for amounts paid on behalf of CFPFSS in the fiscal year. This amount is non-interest bearing and has no fixed terms of repayment. CFCF and CFPFSS both operate under the authority of the Chief of the Defence staff in his Non-Public Property (NPP) capacity. Responsibility for directing the affairs of CFCF and CFPFSS rests with the Non-Public Property Board.

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CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS - Cont'd.

FISCAL YEAR ENDED MARCH 31, 2009

7. INTERNALLY RESTRICTED NET ASSETS

(a) Future Personnel Costs (Public)

Amounts have been designated to provide funding for future personnel costs, such as pension, severance pay, hiring costs, accumulated leave, maternity leave, etc. In accordance with VCDS 3/96 instruction, a fixed employer cost percentage was established to reimburse the Public funded Staff of Non-Public Funds, Canadian Forces with delivering Morale and Welfare programs. The difference between the Public reimbursed and actual employer costs has been recorded in the Restricted Future Personnel Costs account.

(b) Future Insurance Costs

Amounts have been designated to provide funding for future NPF insurance claims based on the premium savings resulting from the increase in property self insured retention levels of \$1 million for each and every loss, and aggregate limit.

8. PENSION PLAN

The Non-Public Funds Employees Pension Plan (the "Plan") is a defined benefit pension plan which provides retirement benefits relating to contributions and years of service. Substantially all CFPFSS employees are eligible to be members of the Plan. Plan contributions are included in salaries and employee benefits. At December 31, 2008, the plan was in a deficit position of \$17.5 million with an actuarial assessment to be completed at December 31, 2009.

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CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS - Cont'd.

FISCAL YEAR ENDED MARCH 31, 2009

9. RELATED PARTY TRANSACTIONS

Non-Public Property (NPP), as defined under the National Defence Act, consists of money and property contributed by Canadian Forces members and is administered for their benefit by the CFPFSS. The CFPFSS is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, CANEX, Personnel Support Programs and SISIP Financial Services (including the Canadian Forces Personnel Assistance Fund). Under the National Defence Act, NPP is explicitly excluded from the Financial Administration Act. The government provides some services to NPP such as accommodation and security for which no charge is made. The cost of providing these services is included in the Public Accounts and is reported annually within the Department of National Defence in accordance with the requirements of the Financial Administration Manual Chapter 1019-8.

CFPFSS administered estimated NPP revenues and expenses of \$294 million and \$342 million, respectively, and net equity of \$519 million at March 31, 2009 are excluded from the financial statements of the Government of Canada.

In addition, during the fiscal year, CFPFSS charged other Non-Public Fund entities for accounting, human resources management, information management and information technology and consolidated insurance program services.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The charges are as follows:

	<u>CANEX</u>	<u>SISIP</u>	<u>Bases/ Wings/ Messes</u>	<u>CFCF</u>	<u>Pension Administration</u>	<u>Total</u>
Accounting	\$ 2,050,649	\$ 133,648	\$ 1,550,539	\$ 350,000	\$ 165,000	\$ 4,249,836
Information management/ Information technology	521,244	356,842	9,545	-	-	887,631
Human resources management	585,955	141,422	1,391,928	-	-	2,119,303
Consolidated insurance program	<u>333,996</u>	<u>-</u>	<u>612,350</u>	<u>-</u>	<u>-</u>	<u>946,346</u>
Total	<u>\$ 3,491,844</u>	<u>\$ 631,912</u>	<u>\$ 3,564,360</u>	<u>\$ 350,000</u>	<u>\$ 165,000</u>	<u>\$ 8,203,116</u>

10. CAPITAL DISCLOSURES

CICA Handbook Section 1535 (Capital Disclosures) requires that the organization disclose information about its capital and how it is managed.

The organization defines its capital as its unrestricted internally restricted net assets and is not subject to external restrictions on its capital. The organization's objective when managing its capital is to hold sufficient unrestricted net assets to maintain the stability of its financial structure enabling it to focus its efforts on serving its members.

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF PUBLIC OPERATING REVENUE AND EXPENSE
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
Revenue		
C108 - Military Family Support	\$ 23,899,327	\$ 20,565,029
C109 - Personnel Support Program (PSP)	65,568,885	59,126,179
Health Promotion	5,100,038	4,188,769
Other Public Funds	<u>6,954,196</u>	<u>6,150,438</u>
Total Revenue	<u>101,522,446</u>	<u>90,030,415</u>
Expenses		
C108 - Military Family Support	23,834,892	20,577,822
C109 - Personal Support Program		
CFPFSS Headquarters (HQ) - note 1	2,004,386	996,178
Human Performance	-	82,528
PSP Management - HQ and Field	5,730,047	5,631,775
Military Physical Fitness and Sports Program	25,332,510	21,282,400
Mess Management	2,816,312	2,640,756
PSP for Deployed Operations	4,337,928	4,351,955
PSP in Support to Small Units	1,087,808	951,161
Youth Program	869,810	871,296
Customer Relationship Management	340,566	382,395
SISIP Financial Counselling and Education	3,156,385	3,052,913
Accidental Dismemberment Insurance	1,177,395	1,924,624
CANEX Management	2,403,167	2,395,388
NPF Accounting	5,931,026	5,696,665
NPF HR Management	3,289,973	3,020,327
Information Management/Information Technology (IM/IT)	3,128,513	1,813,408
Corporate Services	1,920,472	1,282,702
GECA	141,000	141,000
Internal Audit and Review	-	970,708
Health Promotion	4,849,738	4,139,483
Other Public Funds	<u>6,985,742</u>	<u>5,959,531</u>
Total Expenses	<u>99,337,670</u>	<u>88,165,015</u>
Net Public programs and operating revenue before item below	2,184,776	1,865,400
Employer costs charged to restricted future personnel costs	<u>(817,653)</u>	<u>(1,093,780)</u>
Net Public operating revenue - note 7	<u>\$ 1,367,123</u>	<u>\$ 771,620</u>