

Policy Code # A-FN-105-001/AG-001

Chapter 10: CFCF Contributions, CFCF Line of Credit, CFCF Loans, NPP Funding Distribution, NPP and Public Grants

Date of Issue:

Revision date: February 22, 2021



INTRODUCTION

1. This chapter prescribes the requirement and responsibilities for levy contributions and outlines administrative and accounting procedures for CFCF loans, loans between Messes/Base Fund and loans between Base Fund and their subsidiaries, CFCF Line of Credit to Deployed Operations (including ships), NPP Funding Distribution, NPP grants and Public grants.

CONTRIBUTIONS

REQUIREMENT AND RESPONSIBILITY

2. Entities are required to contribute levies (fees) at the following rates:
 - a. Base Fund, subsidiaries, messes, clubs and ships' retail activities and unit, branch, regimental and group fund retail activities (e.g. kit shops) - 0.25 % of all sales. The rate is composed of [Support Our Troops Fund](#) contributions only;
 - b. NATEX - 5.00 % of all consumer sales for CANEX contributions;
 - c. HMC Ships and Deployed Operations - due to limited scope of operations these units pay 0.5% of all sales as a premium for coverage under the Consolidated Insurance Program (CIP);
 - d. Naval Reserve Divisions (NRDs) - CFMWS Managing Director NPP in collaboration with NAVRESHQ determines the CIP coverage unit rate on an annual basis. This CIP fee will be deducted monthly automatically from each unit's share of the Consolidated Bank Account (CBA);
 - e. Army Reserves accounted for by CFMWS pay 2.0% of all sales and revenues within the unit's NPP entities for CIP (Property and liability) coverage. This CIP fee will be deducted monthly automatically from each NPP entity's share of the CBA;
 - f. Accredited Reserve Museums pay fees of \$250. per year for \$500K property coverage, 2% of sales and other revenues for liability coverage and have the option to select more property coverage in \$500K increments; and
 - g. All other units pay CIP fees based on their risk assessment.
3. For Regular Force units within Canada that utilize our accounting information system, the system will automatically calculate the Support Our Troops levies/fees in the month of the sale. The NPP Accounting Manager – Europe is responsible for the calculation and timely remittance of levies/fees for their unit using the Transfer Voucher at [Annex A](#). Ship's Supply Officers are responsible for the preparation and submission of levies/fees using the Transfer Voucher at [Appendix 1 to Annex A](#).

CFCF LOANS GENERAL

4. Requests for CFCF loans shall be submitted through the chain of command to the Chief Financial Officer (CFO) through the Director of Finance (DFIN) and must be accompanied by a business case that both supports the decision to provide funding and provides assurance of the entity's capability to repay the loan. Once the loan request is approved, the approval is sent to the National Treasury and Reporting Office (NTRO) for appropriate action. CFCF loan approval authorities are detailed in the [Chief of The Defence Staff Delegation of Authorities for Financial Administration of Non-Public Property](#).

Note: Once NPP Entities are indebted to CFCF, Base/Wing and Deployed Ops Task Force Commanders' authority for Personnel, Operations, and Maintenance (PO&M) Expenditures, Capital Expenditures and Write-off/disposal of Fixed Assets (excluding Real Property) is limited to \$50K (vice \$250K for Entities not indebted to CFCF).

5. The CANEX CFCF loan requirement threshold is \$15,000 or more.

Note: There is no mandatory CFCF loan threshold for Non-CANEX Entities.

6. All loans shall be accounted for in the records of the entity to which the loan was extended and principal and interest payments recorded therein. Dependent upon scope and scale of projects, and entity cash flow requirements, loan funds may be distributed in installments or lump sum upon project completion. Commencement of loan repayment and capitalization shall normally be enacted the earlier of, when the FA is put into use or upon project completion. If the CFCF loan amount is material (\$1M or greater), upon recommendation from the Director of Finance, the CFO may direct that the loan payments (based on the approved CER amount) commence prior to the completion of the project.
7. Accordingly, NTRO shall be informed when a project is completed. For CANEX projects, CANEX HQ management shall inform the NTRO directly and for locally controlled projects, management shall inform the local NPP Accounting Manager (NPPAM) who will in turn inform the NTRO. Upon notification, the NTRO will start the loan payment based on the amount approved.
8. Loan repayment terms for any project shall not exceed the lesser of: the asset amortization period or the following schedule, based on the original CFCF Loan amount:
 - a. less than \$100K payback within 5 years;
 - b. 100K to \$250K payback within 10 years;
 - c. \$250K to \$1M payback within 15 years; and
 - d. over \$1M payback within 20 years.

Note: CFCF loan repayment periods and the capitalization of assets for Deployed Operations are determined by the Task Force Commander in consultation with Managing Director NPP – CFCF loan repayment periods and the amortization of fixed assets are typically matched to the mandated mission period.

LOANS BETWEEN MESSES / BASE FUNDS AND BASE FUNDS AND THEIR SUBSIDIARIES

9. When loans between Messes/Base Fund and/or loans between Base Fund and their subsidiaries are warranted, the loan limits and authorities are deemed to be as specified in the [CDS Delegation of Authorities for Financial Administration of NPP](#) for capital expenditures. When such a loan is authorized the interest rate applied shall not exceed that

applicable to CFCF loans (4% annual rate).

10. Entities are not permitted to borrow funds from sources other than the CFCF, unless specifically authorized by CFO. This includes obtaining financing from a third party for the purchase or lease of a fixed asset.

OVERSEAS RELOCATION LOAN

11. As per CFMWS [Human Resources Policy](#), Section 32 (*Staff of Non- Public Funds (SNPF), CF Outside Canada (OUTCAN) Relocation and NPF Service Benefits*), to assist in the relocation from Canada to OUTCAN location only, an overseas relocation loan may be requested by the employee to purchase items such as furniture or a private motor vehicle; subject to the following conditions:
 - a. the maximum amount of loan is forty-two thousand dollars (\$42,000) or fifty percent (50%) of employee's gross salary upon relocation, whichever is less; and
 - b. the loan, including all interest, is to be repaid within the original term of the Fixed Term Temporary Employment contract or within 48 months, whichever comes first.

Note: Interest rates are determined by the CFO and are generally in line with the Public/DND overseas relocation loan rate.

CFCF LINE OF CREDIT (LOC) - DEPLOYED OPERATIONS - SHIPS

12. Prior to extended deployments, if external funding is required to fund increased exchange merchandise inventory levels, ships may apply for a CFCF LOC (up to \$150K). Application procedures and terms of use are provided at [Annex B](#) (Ship's CFCF LOC Application Procedures and Terms of Use).

CFCF LINE OF CREDIT (LOC) DEPLOYED OPERATIONS - TASK FORCES

13. For extended deployments, a CFCF LOC may be necessary to meet working capital needs i.e. assist in the provision of funds to purchase and maintain in-theatre Task Force (TF) merchandise inventory levels. Task Forces may apply for a CFCF LOC (not to exceed the estimated amount required to purchase sufficient inventory from in theatre suppliers to support 45 days of sales (at cost). Application procedures and terms of use are provided at [Annex C](#) (Task Force CFCF LOC Application Procedures and Terms of Use).

SHIP'S CANADIAN FORCES CENTRAL FUND (CFCF) START-UP GRANT

14. When the ship's company is established and prepared to initiate NPP operations, ships may apply for a Ship's CFCF Start-up Grant. Entitlements are based on the Ship's class and application procedures and terms of use are provided at [Annex D](#) (Ship's CFCF Start-up Grant Application Procedures and Terms of Use).

BASE INTERNAL GRANTS

15. Base Funds may grant funds (Internal Grant) to Subsidiaries, Entity Funds, Messes and Institutes in support of Morale and Welfare activities to offset prior period losses, operating expenses in the current period, and/or to reduce the cost of acquiring or constructing fixed assets.
16. All Base Fund internal grants are accounted for as Contributed Capital (Capital Adjustments for both entities) regardless of purpose (acquisition/construction of fixed assets, year-end "top ups" to clear bank overdrafts, etc.).

Note 1: As per [Chapter 28](#) (Fixed Assets), where the acquisition of a Fixed Asset (FA) is funded in whole or in part by a Base Fund Internal Grant, the total cost (including the Base Fund Internal Grant funding portion) is capitalized as an entity FA and amortization expense charged to the entity.

Note 2: Recurring grants such as annual Base Fund per capita activity grants to lodger units in support of social and recreational activities are not, for the purpose of this regulation, considered Base “internal grants” and thus are recorded as a component of normal operations. (Revenue and Expense of both Entities).

NPP GRANTS

17. The CANEX/SISIP Dividend NPP grant is provided to assist in the provision of Personnel Support Programs. Administrative and accounting procedures are provided at [Annex E](#).

PUBLIC GRANTS

FITNESS AND SPORTS PUBLIC REIMBURSABLE GRANTS

18. Subject to funding availability, CFMWS provides the following public reimbursable grants to assist B/W/U in providing Fitness and Sports Programs:
 - a. the Military Sports Wages Grant (MSWG);
 - b. the Fitness and Sports Instructor Clothing Grant, and
 - c. the Physical Fitness Maintenance Grant (PFMG) Regular Force.
19. Administrative and accounting procedures for Fitness and Sports Programs Public Grants are provided at [Annex F](#).

OTHER PUBLIC GRANTS

20. The following Other Public grants are provided to assist B/W/U in supporting various Morale and Welfare Activities:
 - a. Recreational Libraries Grants;
 - b. Regular and Reserve Force Band Grants;
 - c. Band Uniform Grants;
 - d. Purchase and Maintenance of Kilted Orders of Dress – Reserve Force;
 - e. Ships Fighting Efficiency Fund;
 - f. Physical Fitness Maintenance Grant (PFMG) Reserve Force;
 - g. Organizational Grant – Reserve Force; and
 - h. Contingency Grant Reserve Force.
21. [Annex G](#) lists Other Public Grants regulations and instructions that detail:
 - a. regulations under which units may be entitled to grants;
 - b. purposes for which the grants may be expended
 - c. methods by which grants are to be claimed; and
 - d. procedures for the administration and accounting for public grants. **Note 1:** Other Public Grants are funded by Public Funds.

DIRECTORATE OF HISTORY AND HERITAGE (DHH) SPECIAL FUNDING ALLOCATIONS - MUSEUMS

22. The Canadian Armed Forces (CAF) Museum Committee is allotted an annual budget to provide financial assistance to accredited CAF Museums and to develop the CAF museum system. Managed through NPP, details of the DHH allocation can be found at [Annex H](#).

[Annex A - Europe Transfer Voucher](#)

[Appendix 1 to Annex A – Ship’s Transfer Voucher](#)

[Annex B - Ship’s CFCF LOC Application Procedures and Terms of Use](#)

[Appendix 1 to Annex B – Ships LOC Request](#)

[Appendix 2 to Annex B - Ships Deployment Additional Exchange Inventory Listing](#)

[Annex C - Task Force CFCF LOC Application Procedures and Terms of Use](#)

[Appendix 1 to Annex C – Task Force Deployment LOC Request](#)

[Appendix 2 to Annex C – Inventory Estimate 45 Days](#)

[Annex D - Ship’s CFCF Start-up Grant Application Procedures and Terms of Use](#)

[Appendix 1 to Annex D – Request for Ships CFCF Start-Up Grant](#)

[Annex E - NPP Grants - Administrative and Accounting Procedures](#)

[Annex F - Fitness and Sports Programs Public Grants Administrative and Accounting Procedures](#)

[Annex G - Other Public Grant Regulations and Instructions](#)

[Annex H - DHH Special Funding Allocations – Museums](#)