

FINANCIAL STATEMENTS
For
CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
For year ended
MARCH 31, 2010

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, 2010 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, 2010 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 18, 2010.

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	4,146,127	-
Accounts receivable	-	2,858,700
Prepaid expenses	<u>549,983</u>	<u>420,911</u>
	4,697,410	3,280,911
CAPITAL ASSETS (note 5)	<u>2,834,683</u>	<u>2,585,516</u>
	<u>\$ 7,532,093</u>	<u>\$ 5,866,427</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,671,525	\$ 710,709
Due to Canadian Forces Central Fund (note 6)	<u>-</u>	<u>768,480</u>
	<u>1,671,525</u>	<u>1,479,189</u>
NET ASSETS		
Unrestricted	-	81,460
Internally restricted (note 7)		
Future personnel costs (Public)	3,837,952	2,524,709
Future insurance costs	<u>2,022,616</u>	<u>1,781,069</u>
	<u>5,860,568</u>	<u>4,387,238</u>
	<u>\$ 7,532,093</u>	<u>\$ 5,866,427</u>

Approved:

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(See accompanying notes)

Welch LLP

An Independent Member of BKR International

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2010

	2010			2009	
	<u>Unrestricted</u>	<u>Internally restricted</u>		<u>Total</u>	
		<u>Future Personnel Costs (Public)</u>	<u>Future Insurance Costs</u>		<u>Total</u>
Balance, beginning of year	\$ 81,460	\$ 2,524,709	\$ 1,781,069	\$ 4,387,238	\$ 3,020,115
Net revenue	1,473,330	-	-	1,473,330	1,367,123
Employer costs charged to restricted future personnel costs - Public	819,508	(819,508)	-	-	-
Net revenue (expense)	<u>2,292,838</u>	<u>(819,508)</u>	<u>-</u>	<u>1,473,330</u>	<u>1,367,123</u>
	2,374,298	1,705,201	1,781,069	5,860,568	4,387,238
Internally imposed restrictions	<u>(2,374,298)</u>	<u>2,132,751</u>	<u>241,547</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ -	\$ 3,837,952	\$ 2,022,616	\$ 5,860,568	\$ 4,387,238

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

STATEMENT OF REVENUE AND EXPENSE

YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
User Fees for Services		
Canadian Forces Exchange System (CANEX)	\$ 3,502,751	\$ 3,491,844
Service Income Security Insurance Plan (SISIP)	661,776	631,912
Base/Wing Funds/Messes	3,552,543	3,564,360
Canadian Forces Central Fund (CFCF)	350,000	350,000
Pension Administration	<u>165,000</u>	<u>165,000</u>
	<u>8,232,070</u>	<u>8,203,116</u>
Contributions		
CANEX Contribution to Non-Public Fund (NPF) Services and Operations	500,000	500,000
SISIP Contribution to Programs and Distributions	3,275,670	2,943,555
CFCF Contribution to Programs and Distributions	-	427,880
CFCF Contribution to NPF Services and Operations	3,424,580	2,615,581
Other Revenue	<u>141,153</u>	<u>249,766</u>
	<u>7,341,403</u>	<u>6,736,782</u>
	<u>15,573,473</u>	<u>14,939,898</u>
Expenses		
NPF Services		
NPF Accounting	3,980,065	3,939,089
Information Management/Information Technology (IM/IT)	3,352,722	2,668,879
Human Resources (HR) Management Services	2,830,973	2,756,425
Consolidated Insurance Program	<u>754,784</u>	<u>750,460</u>
	<u>10,918,544</u>	<u>10,114,853</u>
Corporate Operations		
Canadian Forces Personnel and Family Support		
Services (CFPFSS) Headquarters	462,296	431,187
Personnel Support Program (PSP) Management - Headquarters	6,950	3,012
NPP Contract Support	100,000	100,000
Corporate Services	<u>193,126</u>	<u>169,645</u>
	<u>762,372</u>	<u>703,844</u>
Programs		
Sports Grant	93,581	73,062
Conseil International du Sport Militaire (CISM)	211,398	291,451
Sports Banquet	180,626	164,573
Volunteers Recognition Program	84,370	84,855
Youth Program	46,935	421,252
Customer Relationship Management	132,504	22,450
Amenities	(395)	255
CF Discount Program	100,000	100,000
Sponsorship/Donation	<u>43,971</u>	<u>157,074</u>
	<u>892,990</u>	<u>1,314,972</u>
Distributions		
CANEX/SISIP Morale and Welfare Grant	2,764,070	2,735,057
PSP Grant	<u>73,054</u>	<u>71,172</u>
	<u>2,837,124</u>	<u>2,806,229</u>
	<u>15,411,030</u>	<u>14,939,898</u>
Net NPF operating revenue	162,443	-
Net Public operating revenue - schedule A	<u>1,310,887</u>	<u>1,367,123</u>
Net revenue	<u>\$ 1,473,330</u>	<u>\$ 1,367,123</u>

(See accompanying notes)

Welch LLP

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CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net revenue	\$ 1,473,330	\$ 1,367,123
Item not affecting cash:		
Amortization	<u>892,617</u>	<u>715,151</u>
	2,365,947	2,082,274
Changes in level of:		
Accounts receivable	2,858,700	1,203,532
Prepaid expenses	(129,072)	(7,217)
Accounts payable and accrued liabilities	<u>960,816</u>	<u>(196,760)</u>
	<u>6,056,391</u>	<u>3,081,829</u>
Investing activities		
Purchase of capital assets	<u>(1,141,784)</u>	<u>(1,780,003)</u>
Financing activities		
Repayment of advances from Canadian Forces Central Fund	<u>(768,480)</u>	<u>(1,301,826)</u>
Increase in cash and deposit	4,146,127	-
Cash and deposit at beginning of year	<u>1,300</u>	<u>1,300</u>
Cash and deposit at end of year	<u>\$ 4,147,427</u>	<u>\$ 1,300</u>
Cash and deposit consist of:		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	<u>4,146,127</u>	<u>-</u>
	<u>\$ 4,147,427</u>	<u>\$ 1,300</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2010

1. NATURE OF OPERATIONS

The Canadian Forces Personnel and Family Support Services ("CFPFSS") is both a staff/headquarters organization for the Non-Public Property ("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 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) Revenue recognition

Revenue from user fees and contributions from other entities under the directional responsibility of the NPP Board relating to welfare programs, services and activities administered by CFPFSS are billed and recognized as revenue in the month the applicable program service or activity is rendered.

In addition to this revenue from related parties, CFPFSS' also provides support programs on behalf of the Public (Department of National Defence - "DND"). The level of Public Support provided to CFPFSS is outlined in Chapter 5 of DND Manual A-PS-110-001/AG-002 - "Public Support of Personnel Support Programs". These amounts are recognized as revenue in the month the support programs are rendered to the Public.

(b) 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	17-24% straight-line

(c) 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.

3. NEW ACCOUNTING STANDARDS

On December 1, 2008, the Canadian Institute of Chartered Accountants 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 are forthcoming, the organization has decided to continue to apply Section 3861 and has not adopted Sections 3862 and 3863.

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2010

4. FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position consist of cash, deposit with Canadian Forces Central Fund ("CFCF") and accounts payable and accrued liabilities. The only financial instrument which potentially subjects CFPFSS to a concentration of credit risk is the deposit with CFCF. This deposit is part of CFCF's investment portfolio and the credit risk is mitigated due to the nature of investments made by CFCF.

The fair value of these financial instruments approximates their carrying value due to their short-term nature.

5. CAPITAL ASSETS

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 570,623	\$ 33,150	\$ 537,473	\$ 523,370
Computer equipment	7,232,435	5,035,505	2,196,930	1,944,685
Office furniture	<u>301,569</u>	<u>201,289</u>	<u>100,280</u>	<u>117,461</u>
	<u>\$ 8,104,627</u>	<u>\$ 5,269,944</u>	<u>\$ 2,834,683</u>	<u>\$ 2,585,516</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 and was fully repaid during the March 31, 2010 fiscal year-end. 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.

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 and other personnel costs. 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.

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2010

8. PENSION PLAN

The Non-Public Funds Employees Pension Plan (the "Plan") is a multi-employer, 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 of \$4.97 million (2009 - \$4.24 million) have been included in the applicable expense category on the NPF and Public statement of revenue and expense.

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 approximately \$405 million and \$362 million, respectively, and net equity of \$571 million at March 31, 2010 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	\$ 2,031,855	\$ 134,910	\$ 1,582,627	\$ 350,000	\$ 165,000	\$ 4,264,392
Information management/ Information technology	530,086	358,062	9,964	-	-	898,112
Human resources management services	597,671	168,804	1,336,317	-	-	2,102,792
Consolidated insurance program	<u>343,139</u>	<u>-</u>	<u>623,635</u>	<u>-</u>	<u>-</u>	<u>966,774</u>
Total	<u>\$ 3,502,751</u>	<u>\$ 661,776</u>	<u>\$ 3,552,543</u>	<u>\$ 350,000</u>	<u>\$ 165,000</u>	<u>\$ 8,232,070</u>

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2010

10. CAPITAL DISCLOSURES

The Canadian Institute of Chartered Accountants 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.

11. GROSS REVENUE AND GROSS EXPENSES

The financial statements disclose revenue and expenses on a NPF and Public basis. Gross revenue and expenses on a combined basis are as follows:

	<u>2010</u>	<u>2009</u>
Gross revenue	\$ 127,546,712	\$ 116,462,344
Gross expenses	<u>126,073,382</u>	<u>115,095,221</u>
Net revenue	<u>\$ 1,473,330</u>	<u>\$ 1,367,123</u>

CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES
STATEMENT OF PUBLIC OPERATING REVENUE AND EXPENSE
YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
C108 - Military Family Support	\$ 25,014,753	\$ 23,899,327
C109 - Personnel Support Program (PSP)	73,434,687	65,568,885
Health Promotion	6,085,643	5,100,038
Other Public Funds	<u>7,438,156</u>	<u>6,954,196</u>
Total Revenue	<u>111,973,239</u>	<u>101,522,446</u>
Expenses		
C108 - Military Family Support	24,902,297	23,834,892
C109 - Personal Support Program		
CFPFSS Headquarters (HQ)	2,423,422	2,004,386
PSP Management - HQ and Field	4,410,953	5,730,047
Military Physical Fitness and Sports Program	28,248,727	25,332,510
Mess Management	2,978,221	2,816,312
JPSU, OFS, SOF, PSP Sponsorship	635,995	-
PSP for Deployed Operations	4,830,507	4,337,928
PSP in Support to Small Units	1,163,214	1,087,808
Youth Program	711,017	869,810
Reserve Testing	426,373	-
Customer Relationship Management	961,569	340,566
SISIP Financial Counselling and Education	3,110,405	3,156,385
Accidental Dismemberment Insurance	3,253,452	1,177,395
CANEX Management	2,382,321	2,403,167
NPF Accounting	6,169,127	5,931,026
NPF HR Management	3,530,638	3,289,973
Information Management/Information Technology (IM/IT)	2,816,912	3,128,513
Corporate Services	3,682,881	1,920,472
GECA	141,000	141,000
Health Promotion	5,825,775	4,849,738
Other Public Funds	<u>7,238,038</u>	<u>6,985,742</u>
Total Expenses	<u>109,842,844</u>	<u>99,337,670</u>
Net Public programs and operating revenue before item below	2,130,395	2,184,776
Employer costs charged to restricted future personnel costs - note 7	<u>(819,508)</u>	<u>(817,653)</u>
Net Public operating revenue	<u>\$ 1,310,887</u>	<u>\$ 1,367,123</u>