

**FINANCIAL STATEMENTS**  
**For**  
**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**  
**For year ended**  
**MARCH 31, 2011**

**INDEPENDENT AUDITOR'S REPORT**

To the Non-Public Property Board

We have audited the accompanying financial statements of the Canadian Forces Personnel and Family Support Services, which comprise the statement of financial position as at March 31, 2011 and the statements of changes in net assets, revenue and expense 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 generally accepted accounting principles, 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 the Canadian Forces Personnel and Family Support Services as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Ottawa, Ontario  
January 16, 2012.

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**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	366,489	4,146,127
Accounts receivable	50,000	-
Prepaid expenses	<u>556,420</u>	<u>549,983</u>
	974,209	4,697,410
<b>CAPITAL ASSETS (note 5)</b>	<u>3,469,814</u>	<u>2,834,683</u>
	<u>\$ 4,444,023</u>	<u>\$ 7,532,093</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 2,228,782	\$ 1,671,525
<b>NET ASSETS</b>		
Unrestricted	(1,638,948)	-
Internally restricted (note 6)		
Staff of NPF Employer Cost (Public)	1,704,811	3,837,952
Future insurance costs	<u>2,149,378</u>	<u>2,022,616</u>
	<u>2,215,241</u>	<u>5,860,568</u>
	<u>\$ 4,444,023</u>	<u>\$ 7,532,093</u>

Approved:

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(See accompanying notes)

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2011**

	<u>2011</u>			<u>2010</u>	
	<u>Unrestricted</u>	<u>Internally restricted</u> <u>Staff of</u> <u>NPF</u> <u>Employer</u> <u>Cost</u> <u>(Public)</u>	<u>Future</u> <u>Insurance</u> <u>Costs</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$ 3,837,952	\$ 2,022,616	\$ 5,860,568	\$ 4,387,238
Net revenue (expense)	<u>(1,638,948)</u>	<u>(2,133,141)</u>	<u>126,762</u>	<u>(3,645,327)</u>	<u>1,473,330</u>
Balance, end of year	<u>\$(1,638,948)</u>	<u>\$ 1,704,811</u>	<u>\$ 2,149,378</u>	<u>\$ 2,215,241</u>	<u>\$ 5,860,568</u>

(See accompanying notes)

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**

**STATEMENT OF REVENUE AND EXPENSE**

**YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
<b>User Fees for Services</b>		
Canadian Forces Exchange System (CANEX)	\$ 3,429,132	\$ 3,502,751
Service Income Security Insurance Plan (SISIP)	655,921	661,776
Base/Wing Funds/Messes	3,588,166	3,552,543
Canadian Forces Central Fund (CFCF)	350,000	350,000
Pension Administration	<u>165,000</u>	<u>165,000</u>
	<u>8,188,219</u>	<u>8,232,070</u>
<b>Contributions</b>		
CANEX Contribution to Non-Public Fund (NPF) Services and Operations	500,000	500,000
SISIP Contribution to Programs and Distributions	3,142,393	3,275,670
CFCF Contribution to Programs and Distributions	298,484	-
CFCF Contribution to NPF Services and Operations	4,257,468	3,424,580
Other Revenue	<u>93,078</u>	<u>141,153</u>
	<u>8,291,423</u>	<u>7,341,403</u>
	<u>16,479,642</u>	<u>15,573,473</u>
<b>Expenses</b>		
<b>NPF Services</b>		
NPF Accounting	4,193,787	3,980,065
Information Management/Information Technology (IM/IT)	3,414,352	3,352,722
Human Resources (HR) Management Services	3,046,956	2,830,973
Consolidated Insurance Program	<u>715,591</u>	<u>754,784</u>
	<u>11,370,686</u>	<u>10,918,544</u>
<b>Corporate Operations</b>		
Canadian Forces Personnel and Family Support		
Services (CFPFSS) Headquarters	715,916	462,296
Personnel Support Program (PSP) Management - Headquarters	7,149	6,950
NPP Contract Support	100,000	100,000
Corporate Services	<u>149,005</u>	<u>193,126</u>
	<u>972,070</u>	<u>762,372</u>
<b>Programs</b>		
Sports Grant	74,101	93,581
Conseil International du Sport Militaire (CISM)	185,638	211,398
Sports Banquet	192,353	180,626
Volunteers Recognition Program	92,393	84,370
Youth Program	-	46,935
Project Access	152,919	132,109
CF Discount Program	100,000	100,000
Sponsorship/Donation	<u>72,574</u>	<u>43,971</u>
	<u>869,978</u>	<u>892,990</u>
<b>Distributions</b>		
CANEX/SISIP Morale and Welfare Grant	2,870,450	2,764,070
PSP Grant	76,314	73,054
Capital Projects	<u>193,382</u>	<u>-</u>
	<u>3,140,146</u>	<u>2,837,124</u>
	<u>16,352,880</u>	<u>15,411,030</u>
<b>Net NPF operating revenue before employee benefits</b>	126,762	162,443
<b>Staff of NPF Employer Cost (NPF)</b>	<u>(1,638,948)</u>	<u>-</u>
<b>Net NPF operating expense</b>	(1,512,186)	-
<b>Net Public operating revenue (expense) - schedule A</b>	<u>(2,133,141)</u>	<u>1,310,887</u>
<b>Net revenue (expense)</b>	<u>\$ (3,645,327)</u>	<u>\$ 1,473,330</u>

(See accompanying notes)

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>CASH PROVIDED FROM (USED IN)</b>		
<b>Operating activities</b>		
Net revenue (expense)	\$ (3,645,327)	\$ 1,473,330
Item not affecting cash:		
Amortization	<u>1,088,619</u>	<u>892,617</u>
	(2,556,708)	2,365,947
Changes in level of:		
Accounts receivable	(50,000)	2,858,700
Prepaid expenses	(6,437)	(129,072)
Accounts payable and accrued liabilities	<u>557,257</u>	<u>960,816</u>
	<u>(2,055,888)</u>	<u>6,056,391</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(1,723,750)</u>	<u>(1,141,784)</u>
<b>Financing activities</b>		
Repayment of advances from Canadian Forces Central Fund	<u>-</u>	<u>(768,480)</u>
<b>Increase (decrease) in cash and deposit</b>	<b>(3,779,638)</b>	<b>4,146,127</b>
<b>Cash and deposit at beginning of year</b>	<u>4,147,427</u>	<u>1,300</u>
<b>Cash and deposit at end of year</b>	<b>\$ <u>367,789</u></b>	<b>\$ <u>4,147,427</u></b>
<b>Cash and deposit consist of:</b>		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	<u>366,489</u>	<u>4,146,127</u>
	<b>\$ <u>367,789</u></b>	<b>\$ <u>4,147,427</u></b>

(See accompanying notes)

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2011**

**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), Public reimbursed NPP programs and Public funded programs. CFPFSS is operating under the authority of the Chief of the Defence Staff in his NPP capacity. CFPFSS provides support services in the areas of NPP accounting, information management and information technology, Non-Public Fund human resources management and corporate services. CFPFSS distributes grants and contributions to enhance NPP programs and activities for the military community at all locations. Public funded programs include Morale and Welfare Programs and Military Family Support.

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 for the benefit 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.

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED MARCH 31, 2011**

**3. FUTURE ACCOUNTING STANDARDS FOR THE NOT-FOR-PROFIT SECTOR**

The Accounting Standards Board of the Canadian Institute of Chartered Accountants recently approved a financial reporting framework designed specifically to meet the needs of users of financial statements prepared by not-for-profit organizations. These new standards must be applied by the organization by its March 31, 2013 fiscal year-end and the organization is permitted to adopt these standards earlier, if desired. Not-for-profit organizations are also given the option to adopt International Financial Reporting Standards (IFRS) instead of the new not-for-profit accounting standards.

**4. FINANCIAL INSTRUMENTS**

Financial instruments recognized in the statement of financial position consist of cash, deposit with Canadian Forces Central Fund ("CFCF"), accounts receivable 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**

	2011		2010	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Buildings	\$ 570,623	\$ 61,602	\$ 509,021	\$ 537,473
Computer equipment	8,445,541	5,563,835	2,881,706	2,196,930
Office furniture	275,633	196,546	79,087	100,280
	<u>\$ 9,291,797</u>	<u>\$ 5,821,983</u>	<u>\$ 3,469,814</u>	<u>\$ 2,834,683</u>

**6. INTERNALLY RESTRICTED NET ASSETS**

*(a) Staff of NPF Employer Cost (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 this restricted 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, 2011**

**7. 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 \$4.63 million (2010 - \$4.97 million) have been included in the applicable expense category on the NPF and Public statement of revenue and expense.

**8. 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.

NPP estimated revenues and expenses of approximately \$386 million and \$349 million for the year ended March 31, 2011, respectively, and net equity of \$597 million at March 31, 2011 are excluded from the financial statements of the Government of Canada.

In addition, during the 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	\$ 1,962,922	\$ 141,169	\$ 1,569,371	\$ 350,000	\$ 165,000	\$ 4,188,462
Information management/ Information technology	527,067	359,138	8,015	-	-	894,220
Human resources management services	597,671	155,614	1,336,320	-	-	2,089,605
Consolidated insurance program	<u>341,472</u>	<u>-</u>	<u>674,460</u>	<u>-</u>	<u>-</u>	<u>1,015,932</u>
<b>Total</b>	<b><u>\$ 3,429,132</u></b>	<b><u>\$ 655,921</u></b>	<b><u>\$ 3,588,166</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 165,000</u></b>	<b><u>\$ 8,188,219</u></b>

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED MARCH 31, 2011**

**9. CAPITAL DISCLOSURES**

The organization defines its capital as its unrestricted and 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 net assets to maintain the stability of its financial structure enabling it to focus its efforts on serving its members.

**10. 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>2011</u>	<u>2010</u>
Gross revenue	\$ 135,813,289	\$ 127,546,712
Gross expenses	<u>139,458,616</u>	<u>126,073,382</u>
Net revenue (expense)	\$ <u>(3,645,327)</u>	\$ <u>1,473,330</u>

**CANADIAN FORCES PERSONNEL AND FAMILY SUPPORT SERVICES**  
**STATEMENT OF PUBLIC OPERATING REVENUE AND EXPENSE**  
**YEAR ENDED MARCH 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
C108 - Military Family Support	\$ 24,088,770	\$ 25,014,753
C109 - Personnel Support Program (PSP)	81,859,527	73,434,687
Health Promotion	5,815,117	6,085,643
Other Public Funds	<u>7,570,233</u>	<u>7,438,156</u>
<b>Total Revenue</b>	<u>119,333,647</u>	<u>111,973,239</u>
<b>Expenses</b>		
C108 - Military Family Support	24,088,770	24,902,297
C109 - Personal Support Program		
CFPFSS Headquarters (HQ)	3,155,524	2,423,422
PSP Management - HQ and Field	5,042,630	4,410,953
Military Physical Fitness and Sports Program	30,289,514	28,248,727
Mess Management	3,032,992	2,978,221
JPSU, OFS, SOF, PSP Sponsorship	1,164,711	635,995
PSP for Deployed Operations	4,402,141	4,830,507
PSP in Support to Small Units	1,131,876	1,163,214
Youth Program	732,685	711,017
Reserve Testing	296,553	426,373
Military Family Support	5,557,996	-
Customer Relationship Management	473,201	961,569
SISIP Financial Counselling and Education	3,439,690	3,110,405
Accidental Dismemberment Insurance	3,531,448	3,253,452
CANEX Management	2,489,842	2,382,321
NPF Accounting	6,569,285	6,169,127
NPF HR Management	4,215,908	3,530,638
Information Management/Information Technology (IM/IT)	5,041,856	2,816,912
Corporate Services	1,321,187	3,682,881
GECA	141,000	141,000
Health Promotion	5,815,117	5,825,775
Other Public Funds	<u>7,399,721</u>	<u>7,238,038</u>
<b>Total Expenses</b>	<u>119,333,647</u>	<u>109,842,844</u>
<b>Net Public programs and operating revenue before item below</b>	-	2,130,395
<b>Staff of NPF Employer Cost (Public) charged to internally restricted net assets - note 6</b>	<u>(2,133,141)</u>	<u>(819,508)</u>
<b>Net Public operating revenue (expense)</b>	<u>\$ (2,133,141)</u>	<u>\$ 1,310,887</u>