

Canadian Forces Morale and Welfare Services

Financial statements
March 31, 2022



Independent auditor's report

To the Members of the Non-Public Property Oversight and Advisory Board of
Canadian Forces Morale and Welfare Services

Opinion

We have audited the accompanying financial statements of **Canadian Forces Morale and Welfare Services** [the "Organization"], which comprise the statement of financial position as at March 31, 2022 and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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 are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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.

Ernst + Young LLP

Ottawa, Canada
October 28, 2022

Chartered Professional Accountants
Licensed Public Accountants



Canadian Forces Morale and Welfare Services

Statement of financial position

As at March 31

	2022	2021
	\$	\$
Assets		
Current assets		
Cash	15,620	15,100
Accounts receivable	16,181,476	30,217,340
Prepaid expenses	1,144,695	507,440
Due from Canadian Forces Central Fund <i>[note 8]</i>	3,150,371	—
Total current assets	20,492,162	30,739,880
Capital assets <i>[note 5]</i>	24,605,246	20,611,255
	45,097,408	51,351,135
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	4,246,153	3,089,859
Deferred revenue	3,672,336	6,184,916
Other liabilities	119,247	—
Due to Canadian Forces Central Fund <i>[note 8]</i>	—	13,372,050
Total Current liabilities	8,037,736	22,646,825
Deferred contributions for capital assets and prepaids <i>[note 5]</i>	24,629,779	19,728,145
Total liabilities	32,667,515	42,374,970
Net assets		
Internally restricted <i>[note 6]</i>		
Personnel [Public]	9,913,570	5,952,925
Insurance	2,516,323	3,023,240
Total net assets	12,429,893	8,976,165
	45,097,408	51,351,135

See accompanying notes

Approved on behalf of the Non-Public Property Board:



Julie Peckham
Chief Financial Officer

Canadian Forces Morale and Welfare Services

Statement of operations

Year ended March 31

	2022	2021
	\$	\$
Revenue		
User fees and contributions <i>[note 8]</i>		
Canadian Forces Exchange System	3,280,355	3,288,895
SISIP Financial	40,563,404	17,663,475
Canadian Forces Central Fund	1,152,477	350,000
Other Non-Public Property revenue	815,776	817,732
Department of Defence ["DND"]		
C108 – Military Family Services	36,161,933	34,868,602
C109 – Morale and Welfare	109,169,196	123,678,370
Cost recoveries from other parts of DND	18,592,482	15,415,831
Other government departments	3,381,230	3,743,149
Deferral of contributions	(9,045,217)	(6,927,603)
Amortization of deferred contributions for capital assets	4,143,584	2,321,832
	208,215,220	195,220,283
Expenses		
Personnel	128,172,111	120,674,583
IT hardware, software and licensing	9,198,571	8,843,178
Contract services	7,156,983	6,919,123
Travel	4,156,825	284,827
Depreciation	4,433,519	2,670,974
Insurance	2,821,600	1,224,467
Facilities	749,226	657,290
Other	2,681,297	4,759,583
Capitalization of prepaids	(635,441)	—
Capitalization of capital assets	(8,409,776)	(6,927,603)
	150,324,915	139,106,422
Excess of revenue over expenses before the undernoted	57,890,305	56,113,861
Distributions <i>[note 11]</i>	54,436,577	56,025,969
Excess of revenue over expenses for the year	3,453,728	87,892

See accompanying notes

See schedules A and B for a breakdown between Public and NPP components

Canadian Forces Morale and Welfare Services

Statement of financial position

Statement of changes in net assets

Year ended March 31	2022			
	Balance beginning of year \$	Excess of revenue over expenses for the year \$	Transfers \$	Balance at end of year \$
Unrestricted	—	3,453,728	(3,453,728)	—
Internally restricted <i>[note 6]</i>				
Personnel [Public]	5,952,925	—	3,960,645	9,913,570
Insurance	3,023,240	—	(506,917)	2,516,323
	8,976,165	3,453,728	—	12,429,893
	2021			
	Balance beginning of year \$	Excess of revenue over expenses for the year \$	Transfers \$	Balance at end of year \$
Unrestricted	—	87,892	(87,892)	—
Internally restricted <i>[note 6]</i>				
Personnel [Public]	5,865,033	—	87,892	5,952,925
Insurance	3,023,240	—	—	3,023,240
	8,888,273	87,892	—	8,976,165

See accompanying notes

Canadian Forces Morale and Welfare Services

Statement of cash flows

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	3,453,728	87,892
Add (deduct) items not affecting cash		
Depreciation	4,433,519	2,670,974
Amortization of deferred contributions for capital assets	(4,143,584)	(2,321,832)
Changes in non-cash working capital items related to operations		
Accounts receivable	14,035,864	(15,780,092)
Prepaid expenses	(637,255)	495,163
Accounts payable and accrued liabilities	1,156,294	1,362,502
Deferred revenue	(2,512,580)	4,741,392
Due from (to) Canadian Forces Central Fund	(16,522,421)	8,823,138
Other liabilities	119,247	—
Cash provided by (used in) operating activities	(617,188)	79,137
Investing activities		
Purchase of capital assets	(8,427,509)	(7,006,740)
Cash used in investing activities	(8,427,509)	(7,006,740)
Financing activities		
Contributions for capital assets received	9,045,217	6,927,603
Cash provided by financing activities	9,045,217	6,927,603
Net increase in cash for the year	520	—
Cash, beginning of year	15,100	15,100
Cash, end of year	15,620	15,100

See accompanying notes

Statement of operations – NPP

Year ended March 31

	2022	2021
	\$	\$
Revenue		
User fees for services <i>[note 8]</i>		
CANEX	3,280,355	3,288,895
SISIP	824,041	817,245
CFCF	350,000	350,000
Bases/wings/messes	650,776	647,334
Pension administration	165,000	165,000
	<u>5,270,172</u>	<u>5,268,474</u>
Contributions <i>[note 8]</i>		
SISIP	39,739,363	16,846,230
CFCF	802,477	—
Other	—	5,398
	<u>40,541,840</u>	<u>16,851,628</u>
Deferral of contributions for capital assets	(3,613,240)	(2,217,197)
Amortization of deferred contributions for capital assets	1,399,909	816,768
	<u>43,598,681</u>	<u>20,719,673</u>
Expense		
Core NPP governance		
Corporate services	1,893,420	1,463,171
Accounting	4,711,226	5,107,946
Information management/information technology	6,207,278	6,072,342
Technology Investment Program	4,221,061	2,791,678
Human resources management services	4,419,818	4,030,937
Personal Support Program	253,405	218,317
	<u>21,706,208</u>	<u>19,684,391</u>
NPP programs		
Consolidated insurance program	2,316,612	678,110
CFOne membership	601,873	442,534
Community recreation	15,969	33,362
Sponsorship	555,583	386,000
National sports	25,736	39,989
Conseil International du Sport Militaire	14,952	55,581
	<u>3,530,725</u>	<u>1,635,576</u>

Statement of operations – NPP

Year ended March 31

Capitalization of prepaids	(336,147)	—
Capitalization of capital assets	(3,277,092)	(2,217,197)
Amortization of capital assets	1,399,909	816,768
	23,023,603	19,919,538
Distributions		
CANEX/SISIP Morale and Welfare Grant <i>[note 8]</i>	4,238,038	1,974,927
SEA/PSP Training Grant	115,123	75,503
PSP Training Grant	172,500	—
COVID-19 wage subsidy	93,477	—
	4,619,138	2,050,430
Excess (deficiency) of revenue over expenses before the undernoted	15,955,940	(1,250,295)
Personnel <i>[note 6]</i>		
Entity cost recoveries	18,452,568	17,573,030
Expense	(34,915,424)	(16,322,735)
	(16,462,856)	1,250,295
Deficiency of revenue over expenses for the year	(506,916)	—

See accompanying notes

Statement of operations – Public

Year ended March 31

	2022	2021
	\$	\$
Revenue		
Cost recoveries from Department of Defence		
C108 – Military Family Services	36,161,933	34,868,602
C109 – Morale and Welfare	109,169,196	123,678,370
C109 – Morale and Welfare [unbilled]		
Health services [health promotion]	7,083,081	6,897,240
OFA deployed operations	3,733,387	3,318,018
Other	7,776,014	5,200,573
	<u>163,923,611</u>	<u>173,962,803</u>
Other government departments		
Veterans Affairs Canada ["VAC"]	2,965,735	3,428,492
Other	415,495	314,657
	<u>3,381,230</u>	<u>3,743,149</u>
Deferral of contributions for capital assets	(5,431,977)	(4,710,406)
Amortization of deferred contributions for capital assets	2,743,675	1,505,064
	<u>164,616,539</u>	<u>174,500,610</u>
Expenses		
Core NPP governance [C109]		
Corporate services	5,996,104	7,388,275
Accounting	9,824,069	10,171,118
Information management/information technology	5,764,280	6,240,669
Technology Investment Program	3,758,261	2,485,596
Human resources management services	6,205,522	5,063,861
CANEX management	2,817,619	2,870,261
Corporate costs	118,849	179,510
	<u>34,484,704</u>	<u>34,399,290</u>
CAF programs [C109]		
PSP management - HQ and field	9,735,410	9,090,367
CAF mess management	3,932,566	3,793,763
CAF community recreation management	4,331,629	2,481,212
CAF physical fitness and sports	35,991,037	35,133,491
SISIP financial counselling and education	3,648,317	3,683,811
Support to deployed operations	1,238,696	1,250,928
	<u>58,877,655</u>	<u>55,433,572</u>
Family programs		

Statement of operations – Public

Year ended March 31

Military Family Resource Centres [C108]	36,161,933	34,047,207
Military Family Resource Centres – Virtual [C108]	—	821,395
Military Family Services [C109]	5,613,980	5,325,925
	41,775,913	40,194,527
Other		
Pension Solvency	6,283,990	17,727,290
COVID Wage Subsidy	3,908,868	10,792,293
	10,192,858	28,519,583
Other Department of Defence [health services, OFA and other]	18,592,482	15,415,831
Other government departments [VAC and other]	3,381,230	3,743,149
Capitalization of prepaids	(299,294)	—
Capitalization of capital assets	(5,132,684)	(4,710,406)
Amortization of capital assets	2,743,675	1,505,064
	164,616,539	174,500,610
Excess of revenue over expenses before the undernoted	—	—
Personnel [note 6]		
Entity cost recoveries	24,916,813	35,560,405
Expense	(20,956,168)	(35,472,513)
	3,960,645	87,892
Excess of revenue over expenses for the year	3,960,645	87,892

See accompanying notes

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

1. Nature of operations

Canadian Forces Morale and Welfare Services ["CFMWS" or the "Organization"] is both a staff and headquarters organization for the Non-Public Property ["NPP"], Public-reimbursed NPP programs and Public-funded programs. CFMWS operates under the authority of the Chief of the Defence Staff ["CDS"] in his NPP capacity.

CFMWS is responsible for delivering selected morale and welfare programs, activities and services through operational divisions, Personnel Support Programs and Military Family Services.

CFMWS provides support services in the areas of NPP accounting, information management and information technology, human resources and corporate services. CFMWS distributes grants and contributions to enhance NPP programs and activities for the military community at all locations.

NPP programs and services are funded through contributions from Service Income Security Insurance Financial Services ["SISIP"], Canadian Forces Exchange System ["CANEX"] and Canadian Forces Central Fund ["CFCF"], while funding for Public responsibilities are reimbursed by the Department of National Defence ["DND"] primarily through two corporate accounts [C108 and C109].

C108 is the core funding for the delivery of the Military Family Service Program ["MFSP"] through Military Family Resource Centers. C109 is the funding for Public programs and services delivered by CFMWS, which comprises governance [Public, NPP and MFSP] and program delivery.

Cost recoveries from other parts of DND include public activities and services provided by CFMWS through Service Level Agreements ["SLA"] or Memorandums of Understanding ["MOU"] with Health Services, OFA deployed operations, Soldier On and Canadian Air Forces ["CAF"] units.

While SLAs and MOUs exist at the base or wing level between local NPP entities and Public, these cost recoveries are accounted for in the appropriate local NPP entity. Therefore, CFMWS's financial statements do not reflect these local Public recoverables.

A breakdown of the NPP- and Public-related components included in the statement of operations can be found within Schedules A and B.

In common with other Non-Public funds, CFMWS 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.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

Revenue recognition

CFMWS follows the deferral method of accounting for contributions. Restricted contributions related to the expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Revenue from user fees is recognized as revenue in the month the applicable program service or activity is rendered.

In addition to this revenue from related parties, CFMWS also provides support programs for the benefit of the DND. These amounts are recognized as revenue in the month the support programs are rendered to the Public.

Capital assets

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

Computer equipment	17%–24%
Technology projects	7%–25%
Building	5%
Equipment	12%

Employee future benefits

CFMWS participates in the Canadian Forces Non-Public Funds Employees Pension Plan [the “Plan”], which is a multiemployer, contributory, defined benefit plan. The Plan provides retirement benefits relating to contributions and years of service of staff of all Non-Public Funds. Substantially, all CFMWS employees are eligible to be members of the Plan.

The CFMWS portion of the Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, the CFMWS contributions to the Plan are included as an expense in the statement of operations. A net defined pension benefit asset has not been recorded on the statement of financial position.

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 as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In particular, the estimation of the useful lives of the Organization’s capital assets and the accrual of expenses at year-end contain estimates within the financial statements. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

Financial instruments

CFMWS initially measures its financial assets and financial liabilities, issued or assumed in an arm's length transaction at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by CFMWS. If the consideration transferred or received has repayment terms, then the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

CFMWS subsequently measures its financial assets and financial liabilities, including related party financial instruments, at amortized cost.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in excess of revenue over expenses. The previously recognized impairment loss may subsequently be reversed to a maximum of the amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

The carrying amount of the financial asset or liability is adjusted by the transaction costs, which are recognized in excess of revenue over expenses using the straight-line method.

3. Change in accounting policy

Financial instruments in a related party transaction, risk disclosure and other amendments

Effective April 1, 2021, CFMWS adopted the amendments to Section 3856 of Part II of the *CPA Canada Handbook – Accounting, Financial Instruments*, ["Section 3856" or the "standard"] issued by the Canadian Accounting Standards Board. Under the amended standard, the measurement of related party financial instruments is now incorporated into Section 3856 as opposed to Section 3840, *Related Party Transactions* ["Section 3840"].

CFMWS adopted the amendments to Section 3856 retrospectively. There was no impact of the adoption of the amendments to Section 3856 on the financial statements of CFMWS as at and for the year ended March 31, 2022.

4. Concentration of credit risk

Substantially all accounts receivable are owing from DND.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

5. Capital assets

Capital assets include:

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	9,805,353	9,434,145	371,208	625,798
Technology projects	26,064,600	12,127,512	13,937,088	9,747,698
Building	570,623	375,211	195,412	223,943
Equipment	1,879,125	680,398	1,198,727	1,572,609
Work-in-progress	8,902,811	—	8,902,811	8,441,207
	47,222,512	22,617,266	24,605,246	20,611,255

CFMWS technology projects are partially or wholly NPP and/or Publicly funded. These projects are initially expensed in order to receive NPP contributions, and/or Public funding. This expense is substantially reversed; recognized as an asset, and depreciated over the asset's useful life. The NPP contributions and/or Public funding received are deferred and amortized over the same period to offset future depreciation of capital technology project assets.

Deferred contributions for capital assets and prepaids of \$24,629,779 relate to technology projects of \$13,937,088, equipment of \$1,154,439 and work-in-progress of \$8,902,811 as well as a prepaid expense of \$635,441. The remaining capital assets do not have deferred contributions and were instead purchased and immediately capitalized with NPP contributions and/or Public funding being received to cover the annual depreciation cost.

6. Internally restricted net assets

Personnel

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 charged with delivering morale and welfare programs. The difference between the actual employer costs and those reimbursed by Public have been internally restricted to provide funding for personnel costs, such as pension, severance pay, hiring costs, maternity leave and other personnel costs.

The same fixed employer cost percentage is applied to staff funded partly or wholly by NPP. Any difference from actual is applied against the contribution from CFCF and/or SISIP.

Insurance

Amounts have been internally restricted to provide funding for Non-Public Fund insurance claims.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

7. Pension plan

The CFMWS share of contributions to the Plan were \$6,023,203 [2021 – \$5,046,766] and are included as an expense in the statement of operations.

An excerpt of an actuarial valuation prepared as at December 31, 2021 [2021 – December 31, 2020] indicated the following information about the overall Plan:

	2021	2020
	\$	\$
Fair value of plan assets	521,460,157	438,669,621
Accrued benefit obligation	(361,570,000)	(350,681,000)
Surplus	159,890,157	87,988,621

Under the going concern basis, this valuation compares the relationship between the value of the Plan's assets under the present value of the expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely. Under this scenario, the valuation resulted in a surplus of \$142.1 million [2021 – \$80.5 million].

Conversely, under the hypothetical solvency [wind-up] basis, the Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules under circumstances producing the maximum wind-up liabilities on the valuation date. This valuation resulting in a deficit of \$0.47 million [2021 – \$83.4 million].

These valuations are utilized to assess monthly and annual employer contributions. The Plan is required to have its next actuarial valuation performed as at December 31, 2022.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

8. Related party transactions

Among the other entities that operate under the authority of the CDS in his NPP capacity are the CANEX, SISIP Financial, CFCF and individual bases wings and messes.

Revenue includes user fees for services charged to related parties for accounting, human resources management, information management and information technology and the consolidated insurance programs, as follows:

					2022		2021	
	CANEX	SISIP	Bases/ wings/ messes	CFCF	Pension administration	Total	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
Accounting	1,836,039	171,093	200,547	350,000	165,000	2,722,679	2,718,163	
Human resources	634,332	218,911	—	—	—	853,243	988,168	
IM/IT	560,044	434,037	8,892	—	—	1,002,973	858,885	
Consolidated insurance program	249,940	—	441,337	—	—	691,277	703,258	
	3,280,355	824,041	650,776	350,000	165,000	5,270,172	5,268,474	

During the year, CFMWS received contributions from SISIP and CFCF to support NPP morale and welfare services, programs and governance. Of the \$40,541,840 in combined contributions received, the SISIP contribution of \$39,739,363 includes a one-time \$10M contribution towards NPP's share of pension solvency, matching the amount provided by DND in 2021 for Public's share.

			2022		2021	
	CANEX	SISIP	CFCF	Total	Total	
	\$	\$	\$	\$	\$	
Contributions to CFMWS	—	39,739,363	802,477	40,541,840	16,851,630	

CFMWS distributed \$4,238,038 [2021 – \$1,974,927] in CANEX/SISIP Morale and Welfare Grants to CAF Bases and Wings throughout Canada, Europe and deployed operations.

In 2021, CFMWS owed CFCF \$13,372,050; in 2022 CFCF owes CFMWS \$3,150,371. This amount is non-interest bearing and has no specific terms of repayment.

The aforementioned related party transactions are measured at their exchange amounts, which are the amounts established and agreed to by the related parties.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

Similar to other crown entities, NPP was omitted from Government of Canada legislation for COVID-19 support programs. CFMWS secured approval to recover \$3,908,868 [2021 – \$10,792,293] from Public funds for staff wage costs wholly funded by NPP operations that were significantly affected by COVID-19. CFCF also contributed \$93,477 towards staff wage costs when Public funding ceased. Overall, CFMWS distributed \$278,493 to CANEX and \$3,723,852 to local NPP entities.

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 of Canada.

9. Financial instruments and risk management

CFMWS is exposed to various risks through its financial instruments. The following analysis provides a measure of the CFMWS risk exposure:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CFMWS is exposed to credit risk on its accounts receivable. CFMWS believes the risk is low given the majority of accounts receivable are owing from DND.

Liquidity risk

Liquidity risk is the risk CFMWS will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. CFMWS believes that its recurring financial resources are adequate to fulfill its obligations.

10. Insurance deductible recovery

Included in the statement of operations is a \$1M insurance deductible expense related to roof damage at 4210 Labelle St. CFMWS is actively pursuing litigation to recover.

Canadian Forces Morale and Welfare Services

Notes to financial statements

March 31, 2022

11. Distributions

Distributions reflect funding received by CFMWS that is passed on to local NPP entities. SEA grant funding is available to senior appointments that do not have access to NPP funds through a local Base/Wing fund.

	2022	2021
	\$	\$
Military Family Resource Centres [MFRC]	36,161,933	34,998,337
Public support to SISIP – Financial Counselling and Education	3,198,317	3,233,811
Public support to CANEX wages	2,817,620	2,731,838
CANEX/SISIP Dividend	4,238,038	1,974,927
Senior Executive Appointment Grant [SEA grant]	115,123	75,504
PSP Training Grant	172,500	—
Public support for B/W Sport grants [PFMG/MSWG]	3,730,701	2,219,259
Public support for CANEX/Local NPP COVID-19 wage subsidy	4,002,345	10,792,293
	54,436,577	56,025,969