

# Canadian Forces Morale and Welfare Services

Financial statements  
March 31, 2023



# 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 financial statements of **Canadian Forces Morale and Welfare Services** [the "Organization"], which comprise the statement of financial position as at March 31, 2023 and the statement of operations, statement of changes in net assets and 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, 2023, 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  
February 20, 2024

Chartered Professional Accountants  
Licensed Public Accountants



## Canadian Forces Morale and Welfare Services

### Statement of financial position

As at March 31

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Assets</b>  |                   |                   |
| <b>Current assets</b>  |                   |                   |
| Cash   | 800               | 15,620            |
| Accounts receivable <i>[note 4]</i>  | 15,052,873        | 16,181,476        |
| Prepaid expenses   | 2,661,889         | 1,144,695         |
| Due from Canadian Forces Central Fund <i>[note 8]</i>                          | 2,811,550         | 3,150,371         |
| <b>Total current assets</b>  | <b>20,527,112</b> | <b>20,492,162</b> |
| Capital assets net <i>[note 5]</i>   | 28,056,707        | 24,605,246        |
|  | <b>48,583,819</b> | <b>45,097,408</b> |
| <b>Liabilities and net assets</b>  |                   |                   |
| <b>Current liabilities</b>   |                   |                   |
| Accounts payable and accrued liabilities                                       | 3,194,176         | 4,246,153         |
| Deferred revenue   | 4,279,184         | 3,672,336         |
| Other liabilities  | 43,254            | 119,247           |
| <b>Total current liabilities</b>   | <b>7,516,614</b>  | <b>8,037,736</b>  |
| Deferred contributions for capital assets and prepaid expenses <i>[note 5]</i> | 30,229,469        | 24,629,779        |
| <b>Total liabilities</b>   | <b>37,746,083</b> | <b>32,667,515</b> |
| <b>Net assets</b>  |                   |                   |
| Internally restricted <i>[note 6]</i>  |                   |                   |
| Personnel [Public]   | 10,837,736        | 9,913,570         |
| Insurance <i>[note 3]</i>  | —                 | 2,516,323         |
| <b>Total net assets</b>  | <b>10,837,736</b> | <b>12,429,893</b> |
|  | <b>48,583,819</b> | <b>45,097,408</b> |

See accompanying notes

Approved on behalf of the Non-Public Property Oversight & Advisory Board:

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Michel Landry  
Acting Chief Financial Officer

## Canadian Forces Morale and Welfare Services

### Statement of operations

Year ended March 31

|   | 2023               | 2022               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Revenue</b>  |                    |                    |
| User fees and contributions <i>[note 8]</i>               |                    |                    |
| Canadian Forces Exchange System ["CANEX"]                 | 3,029,137          | 3,280,355          |
| SISIP Financial   | 27,220,047         | 40,563,404         |
| Canadian Forces Central Fund                              | 350,000            | 1,152,477          |
| Other Non-Public Property revenue                         | 314,833            | 815,776            |
| Department of Defence ["DND"]                             |                    |                    |
| C108 – Military Family Services                           | 44,780,778         | 36,161,933         |
| C109 – Morale and Welfare                                 | 103,340,616        | 109,169,196        |
| Cost recoveries from other parts of DND                   | 22,895,523         | 18,592,482         |
| Other government departments                              | 5,010,153          | 3,381,230          |
| Deferral of contributions                                 | (10,888,870)       | (9,045,217)        |
| Amortization of deferred contributions for capital assets | 4,971,459          | 4,143,584          |
|   | <b>201,023,676</b> | <b>208,215,220</b> |
| <b>Expenses</b>   |                    |                    |
| Personnel   | 115,730,991        | 128,172,111        |
| IT hardware, software and licensing                       | 11,792,958         | 9,198,571          |
| Contract services   | 9,449,094          | 7,156,983          |
| Travel  | 11,040,529         | 4,156,825          |
| Depreciation  | 5,229,845          | 4,433,519          |
| Insurance <i>[note 3]</i>                                 | 51,661             | 2,821,600          |
| Facilities  | 1,580,804          | 749,226            |
| Other   | 4,053,237          | 2,681,297          |
| Capitalization of prepaid expenses                        | (2,207,907)        | (635,441)          |
| Capitalization of capital assets                          | (8,680,962)        | (8,409,776)        |
|   | <b>148,040,250</b> | <b>150,324,915</b> |
| Excess of revenue over expenses before the undernoted     | 52,983,426         | 57,890,305         |
| Distributions <i>[note 10]</i>                            | 52,059,260         | 54,436,577         |
| <b>Excess of revenue over expenses for the year</b>       | <b>924,166</b>     | <b>3,453,728</b>   |

See accompanying notes

See schedules A and B for a breakdown between Public and Non-Public Property ["NPP"] components



## Canadian Forces Morale and Welfare Services

### Statement of cash flows

Year ended March 31

|  | 2023               | 2022               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Operating activities</b>  |                    |                    |
| Excess of revenue over expenses for the year                       | 924,166            | 3,453,728          |
| Items not affecting cash   |                    |                    |
| Depreciation   | 5,229,845          | 4,433,519          |
| Amortization of deferred contributions for capital assets          | (4,971,459)        | (4,143,584)        |
| Changes in non-cash working capital balances related to operations |                    |                    |
| Accounts receivable  | 1,128,603          | 14,035,864         |
| Prepaid expenses   | (1,517,194)        | (637,255)          |
| Accounts payable and accrued liabilities                           | (1,051,977)        | 1,156,294          |
| Deferred revenue   | 606,848            | (2,512,580)        |
| Due from/to Canadian Forces Central Fund                           | 338,821            | (16,522,421)       |
| Other liabilities  | (75,993)           | 119,247            |
| <b>Cash provided by (used in) operating activities</b>             | <b>611,660</b>     | <b>(617,188)</b>   |
| <b>Investing activities</b>  |                    |                    |
| Purchase of capital assets   | (8,681,306)        | (8,427,509)        |
| <b>Cash used in investing activities</b>                           | <b>(8,681,306)</b> | <b>(8,427,509)</b> |
| <b>Financing activities</b>  |                    |                    |
| Capital transfer <i>[note 3]</i>                                   | (2,516,323)        | —                  |
| Contributions for capital assets received                          | 10,571,149         | 9,045,217          |
| <b>Cash provided by financing activities</b>                       | <b>8,054,826</b>   | <b>9,045,217</b>   |
| <b>Net increase (decrease) in cash for the year</b>                | <b>(14,820)</b>    | <b>520</b>         |
| Cash, beginning of year  | 15,620             | 15,100             |
| <b>Cash, end of year</b>   | <b>800</b>         | <b>15,621</b>      |

See accompanying notes

## Statement of operations – Non-Public Property

Year ended March 31

|   | 2023              | 2022              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>Revenue</b>  |                   |                   |
| User fees for services <i>[note 8]</i>                    |                   |                   |
| CANEX   | 3,029,137         | 3,280,355         |
| SISIP   | 824,041           | 824,041           |
| CFCF  | 350,000           | 350,000           |
| Bases/wings/messes  | 149,809           | 650,776           |
| Pension administration                                    | 165,000           | 165,000           |
|   | <u>4,517,987</u>  | <u>5,270,172</u>  |
| Contributions <i>[note 8]</i>                             |                   |                   |
| SISIP   | 26,396,006        | 39,739,363        |
| CFCF  | —                 | 802,477           |
| Other   | 24                | —                 |
|   | <u>26,396,030</u> | <u>40,541,840</u> |
| Deferral of contributions for capital assets              | (4,784,356)       | (3,613,240)       |
| Amortization of deferred contributions for capital assets | 1,668,973         | 1,399,909         |
|   | <u>27,798,634</u> | <u>43,598,681</u> |
| <b>Expense</b>  |                   |                   |
| Core NPP governance                                       |                   |                   |
| Corporate services  | 2,201,481         | 1,893,420         |
| Accounting  | 5,141,619         | 4,711,226         |
| Information management/information technology             | 6,964,358         | 6,207,278         |
| Technology Investment Program                             | 5,187,642         | 4,221,061         |
| Human resources management services                       | 4,880,479         | 4,419,818         |
| Personal Support Program                                  | 335,924           | 253,405           |
|   | <u>24,711,503</u> | <u>21,706,208</u> |
| NPP programs  |                   |                   |
| Consolidated insurance program ["CIP"] <i>[note 3]</i>    | —                 | 2,316,612         |
| CFOne membership  | 484,132           | 601,874           |
| Community Recreation                                      | 61,615            | 15,969            |
| Sponsorship   | 609,949           | 555,583           |
| National sports   | 89,802            | 25,736            |
| Conseil International du Sport Militaire                  | 73,162            | 14,952            |
|   | <u>1,318,660</u>  | <u>3,530,726</u>  |

## Statement of operations – Non-Public Property

Year ended March 31

|  | 2023              | 2022                |
|--|-------------------|---------------------|
|  | \$                | \$                  |
| Capitalization of prepaid expenses                               | (913,224)         | (336,147)           |
| Capitalization of capital assets                                 | (3,871,132)       | (3,277,092)         |
| Amortization of capital assets                                   | 1,668,973         | 1,399,909           |
|  | <b>22,914,780</b> | <b>23,023,604</b>   |
| Distributions  |                   |                     |
| CANEX/SISIP Morale and Welfare Grant <i>[note 8]</i>             | 4,445,479         | 4,238,038           |
| Senior Executive Appointment ["SEA"] Grants                      | 98,129            | 115,123             |
| Personnel Support Program ["PSP"] Grants                         | 172,500           | 172,500             |
| COVID-19 wage subsidy  | —                 | 93,477              |
|  | <b>4,716,108</b>  | <b>4,619,138</b>    |
| Excess of revenue over expenses before the undernoted            | <b>167,746</b>    | <b>15,955,939</b>   |
| <b>Personnel</b> <i>[note 6]</i>                                 |                   |                     |
| Entity cost recoveries   | 20,115,789        | 18,452,568          |
| Expense  | (20,283,535)      | (34,915,424)        |
|  | <b>(167,746)</b>  | <b>(16,462,856)</b> |
| <b>Excess (deficiency) of revenue over expenses for the year</b> | <b>—</b>          | <b>(506,917)</b>    |

See accompanying notes

## Statement of operations – Public

Year ended March 31

|   | 2023               | 2022               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Revenue</b>  |                    |                    |
| Cost recoveries from Department of National Defence       |                    |                    |
| C108 – Military Family Services                           | 44,780,778         | 36,161,933         |
| C109 – Morale and Welfare                                 | 103,340,616        | 109,169,196        |
| Health services [health promotion]                        | 7,114,931          | 7,083,081          |
| OFA deployed operations                                   | 4,005,672          | 3,733,387          |
| Other   | 11,774,920         | 7,776,014          |
|   | <u>171,016,917</u> | <u>163,923,611</u> |
| Other government departments                              |                    |                    |
| Veterans Affairs Canada ["VAC"]                           | 4,553,146          | 2,965,735          |
| Other   | 457,007            | 415,495            |
|   | <u>5,010,153</u>   | <u>3,381,230</u>   |
| Deferral of contributions for capital assets              | (6,104,514)        | (5,431,977)        |
| Amortization of deferred contributions for capital assets | 3,302,486          | 2,743,675          |
|   | <u>173,225,042</u> | <u>164,616,539</u> |
| <b>Expenses</b>   |                    |                    |
| Core NPP governance [C109]                                |                    |                    |
| Corporate services  | 7,560,936          | 5,996,104          |
| Accounting  | 10,400,505         | 9,824,069          |
| Information management/information technology             | 7,010,249          | 5,764,280          |
| Technology Investment Program                             | 4,618,865          | 3,758,261          |
| Human resources management services                       | 7,234,643          | 6,205,522          |
| CANEX management  | 2,912,128          | 2,817,619          |
| Corporate costs   | 324,909            | 118,849            |
|   | <u>40,062,235</u>  | <u>34,484,704</u>  |
| Canadian Armed Forces ["CAF"] programs [C109]             |                    |                    |
| PSP management – Headquarters and field                   | 10,860,478         | 9,735,410          |
| CAF mess management                                       | 4,070,631          | 3,932,566          |
| CAF community recreation management                       | 4,609,336          | 4,331,629          |
| CAF physical fitness and sports                           | 38,645,405         | 35,991,037         |
| SISIP financial counselling and education                 | 3,307,061          | 3,648,317          |
| Support to deployed operations                            | 1,613,124          | 1,238,696          |
|   | <u>63,106,035</u>  | <u>58,877,655</u>  |

## Statement of operations – Public

Year ended March 31

|   | 2023               | 2022               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Military Family Service programs                                      |                    |                    |
| Military Family Resource Centres [C108]                               | 44,780,778         | 36,161,933         |
| Military Family Services [C109]                                       | 199,763            | 5,613,980          |
|   | <b>44,980,541</b>  | <b>41,775,913</b>  |
| Other   |                    |                    |
| Pension solvency  |                    | 6,283,990          |
| COVID wage subsidy  | 172,344            | 3,908,868          |
|   | <b>172,344</b>     | <b>10,192,858</b>  |
| Other Department of National Defence [health services, OFA and other] | 22,695,761         | 18,592,482         |
| Other government departments [VAC and other]                          | 5,010,153          | 3,381,230          |
| Capitalization of prepaid expenses                                    | (1,294,683)        | (299,294)          |
| Capitalization of capital assets                                      | (4,809,830)        | (5,132,684)        |
| Amortization of capital assets  | 3,302,486          | 2,743,675          |
|   | <b>173,225,042</b> | <b>164,616,539</b> |
| Deficiency of revenue over expenses before the undernoted             | —                  | —                  |
| <b>Personnel [note 6]</b>   |                    |                    |
| Entity cost recoveries  | 19,339,194         | 24,916,813         |
| Expense   | (18,415,028)       | (20,956,168)       |
|   | <b>924,166</b>     | <b>3,960,645</b>   |
| <b>Excess of revenue over expenses for the year</b>                   | <b>924,166</b>     | <b>3,960,645</b>   |

See accompanying notes

# Canadian Forces Morale and Welfare Services

## Notes to financial statements

March 31, 2023

### 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 and NPP] 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, Canadian Armed Forces ["CAF"] units, and other Governmental Departments.

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, 2023

#### 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 depreciated 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, 2023

#### 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.

#### Change in accounting policy

Effective April 1, 2022, CFMWS adopted the amendments to Section 3400 of Part II of the *CPA Canada Handbook – Accounting, Revenue*.

The amended standard provides additional guidance on determining whether an arrangement consists of a group of contracts or a single contract, identifying the units of account in an arrangement, allocating consideration in multiple-element arrangements to separate units of account on a relative stand-alone selling price basis and methods for estimating the stand-alone selling price when it is not directly observable, and accounting for revenue under the percentage of completion method.

CFMWS adopted the amendments to Section 3400 retrospectively. The adoption of these amendments had no impact on CFMWS' financial statements.

## Canadian Forces Morale and Welfare Services

### Notes to financial statements

March 31, 2023

#### 3. Capital transfer

The consolidated insurance program was moved from CFMWS to CFCF in fiscal year 2023 to better align its purpose and funding source with its reporting entity.

#### 4. Concentration of credit risk

Substantially all accounts receivable are owing from DND.

#### 5. Capital assets

Capital assets include the following:

|                     | 2023              |                          | 2022              |                   |
|---------------------|-------------------|--------------------------|-------------------|-------------------|
|                     | Cost              | Accumulated amortization | Net Book Value    | Net Book Value    |
|                     | \$                | \$                       | \$                | \$                |
| Computer equipment  | 9,784,953         | 9,635,757                | 149,196           | 371,208           |
| Technology projects | 34,209,394        | 16,714,168               | 17,495,226        | 13,937,088        |
| Building            | 570,623           | 403,742                  | 166,881           | 195,412           |
| Equipment           | 1,879,125         | 1,072,702                | 806,423           | 1,198,727         |
| Work-in-progress    | 9,438,981         | —                        | 9,438,981         | 8,902,811         |
|                     | <b>55,883,076</b> | <b>27,826,369</b>        | <b>28,056,707</b> | <b>24,605,246</b> |

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 prepaid expenses of \$30,229,469 [2022 – \$24,629,779] relate to technology projects of \$17,495,226 [2022 – \$13,937,088], equipment of \$769,634 [2022 – \$1,154,439] and work-in-progress of \$9,438,981 [2022 – \$8,902,811] as well as a prepaid expense of \$2,525,628 [2022 – \$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 - Publicly 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.

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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 NPP insurance claims.

#### 7. Pension plan

The CFMWS share of contributions to the Plan was \$6,377,571 [2022 – \$6,023,203] and was included as an expense in the statement of operations.

An excerpt of an actuarial valuation prepared as at December 31 indicated the following information about the overall Plan:

|                            | 2022                 | 2021          |
|----------------------------|----------------------|---------------|
|                            | \$                   | \$            |
| Fair value of plan assets  | <b>490,044,166</b>   | 521,460,157   |
| Accrued benefit obligation | <b>(353,697,000)</b> | (361,570,000) |
| <b>Surplus</b>             | <b>136,347,166</b>   | 159,890,157   |

Under the going concern basis, this valuation compares the relationship between the value of the Plan's assets and 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 \$167.0 million [2021 – \$142.1 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 and under circumstances producing the maximum wind-up liabilities on the valuation date. This valuation resulted in a surplus of \$76.5 million [2022 – \$0.5 million deficit].

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, 2023.

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#### 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:

|                                   |           |         |                            |         | 2023                      |           | 2022      |    |
|-----------------------------------|-----------|---------|----------------------------|---------|---------------------------|-----------|-----------|----|
|                                   | CANEX     | SISIP   | Bases/<br>wings/<br>messes | CFCF    | Pension<br>administration | Total     | Total     |    |
|                                   | \$        | \$      | \$                         | \$      | \$                        | \$        | \$        | \$ |
| Accounting                        | 1,826,336 | 171,093 | 141,357                    | 350,000 | 165,000                   | 2,653,785 | 2,722,679 |    |
| Human resources                   | 634,332   | 218,911 | —                          | —       | —                         | 853,243   | 853,243   |    |
| IM/IT                             | 568,470   | 434,037 | 8,452                      | —       | —                         | 1,010,959 | 1,002,973 |    |
| Consolidated<br>insurance program | —         | —       | —                          | —       | —                         | —         | 691,277   |    |
|                                   | 3,029,138 | 824,041 | 149,809                    | 350,000 | 165,000                   | 4,517,988 | 5,270,172 |    |

CFMWS received contributions from SISIP to support NPP morale and welfare services, programs and governance. The 2022 contribution from SISIP included \$10,000,000 related to pension solvency.

|                        |       |            |      |  | 2023       |            | 2022 |  |
|------------------------|-------|------------|------|--|------------|------------|------|--|
|                        | CANEX | SISIP      | CFCF |  | Total      | Total      |      |  |
|                        | \$    | \$         | \$   |  | \$         | \$         |      |  |
| Contributions to CFMWS | —     | 26,396,006 | —    |  | 26,396,006 | 40,541,840 |      |  |

CFMWS distributed \$4,445,479 [2022 – \$4,238,038] in CANEX/SISIP Morale and Welfare Grants to CAF Bases and Wings throughout Canada and Europe and to deployed operations.

As at March 31, 2023 CFCF owes CFMWS \$2,811,550 [2022 – \$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.

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Similar to other crown entities, NPP was omitted from Government of Canada legislation for COVID-19 support programs. CFMWS secured approval to recover \$172,344 [2022 – \$3,908,868] from Public funds for staff wage costs wholly funded by NPP operations that were significantly affected by COVID-19. Overall, CFMWS distributed \$12,942 to CANEX [2022 – \$278,493] and \$159,402 [2022 – \$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. Distributions

Distributions reflect funding received by CFMWS that is passed on to NPP entities and 3<sup>rd</sup> party MFRCs. Senior Executive Appointment (SEA) grant funding is available to senior CAF appointments that do not have access to NPP funds through a local Base/Wing fund.

|   | 2023              | 2022              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Military Family Resource Centres [MFRC]                       | 37,289,994        | 36,161,933        |
| Public support to SISIP – Financial Counselling and Education | 3,307,061         | 3,198,317         |
| Public support to CANEX                                       | 2,912,128         | 2,817,620         |
| CANEX/SISIP Dividend  | 4,445,479         | 4,238,038         |
| SEA Grant   | 98,129            | 115,123           |
| PSP Training Grant  | 172,500           | 172,500           |
| Public support for B/W sport grants [PFMG/MSWG]               | 3,661,625         | 3,730,701         |
| Public support for CANEX/Local NPP COVID-19 wage subsidy      | 172,344           | 4,002,345         |
|   | <b>52,059,260</b> | <b>54,436,577</b> |