

Canadian Forces Central Fund

Financial statements

March 31, 2024



Independent auditor's report

To the Members of the Non-Public Property Oversight and Advisory Board of
Canadian Forces Central Fund

Opinion

We have audited the financial statements of **Canadian Forces Central Fund** [the "Organization"], which comprise the statement of financial position as at March 31, 2024 and the statement of operations and 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, 2024, 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.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the 2023-2024 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the 2023-2024 Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 scepticism 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
January 27, 2025

Chartered Professional Accountants
Licensed Public Accountants



Canadian Forces Central Fund

Statement of financial position

As at March 31

	2024	2023
	\$	\$
Assets		
Current		
Cash <i>[note 3]</i>	43,781,933	2,868,206
Accounts receivable <i>[note 4]</i>	65,687,608	112,916,424
Current portion of loans receivable <i>[note 5]</i>	1,862,250	3,338,217
Accrued interest and dividend receivable <i>[note 6]</i>	486,212	358,396
Prepaid expenses	583,270	701,483
Trust receivables <i>[note 7]</i>	23,731,388	36,955,626
Total current assets	136,132,661	157,138,352
Loans receivable <i>[note 5]</i>	12,998,360	37,347,485
Portfolio investments <i>[note 6]</i>	222,152,929	200,727,934
Equity investments <i>[note 8]</i>	17,497,810	18,098,605
	388,781,760	413,312,376
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 4]</i>	31,791,491	70,623,924
Trust liabilities <i>[note 9]</i>	195,053,582	189,671,770
Total liabilities	226,845,073	260,295,694
Net assets	161,936,687	153,016,682
	388,781,760	413,312,376

See accompanying notes

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



Dave Patel
Chief Financial Officer

Canadian Forces Central Fund

Statement of operations and changes in net assets

Year ended March 31

	2024	2023
	\$	\$
Revenue		
Dividends and interest	5,738,990	5,330,277
Realized gains (losses) on portfolio investments	3,035,971	(3,359,449)
Unrealized gains (losses) on portfolio investments	12,794,142	(9,280,363)
Interest on loans receivable	1,261,937	1,458,351
(Loss) earnings from Queensway Corporate Campus <i>[note 8]</i>	(656,884)	10,866
Earnings (loss) from Michael Street Property <i>[note 8]</i>	56,089	(29,761)
CANEX credit plan administration fees <i>[note 9]</i>	837,068	818,071
Consolidated Insurance Program premiums	758,321	739,692
Other	100,115	309,264
	23,925,749	(4,003,052)
Expenses		
CFCF management	460,285	405,801
Consolidated Insurance Program expenses	2,047,454	3,363,808
Interest to bases/wings/funds/messes and trusts <i>[note 10]</i>	6,831,162	1,262,482
CFMWS user fees for services <i>[note 10]</i>	350,000	350,000
Investment services	482,715	464,512
Other	342,128	270,906
	10,513,744	6,117,509
Excess (deficiency) of revenue over expenses before the undernote	13,412,005	(10,120,561)
CFCF contributions <i>[note 10]</i>	(4,492,000)	—
Contribution to Wainwright Community Centre	—	(56,513)
Excess (deficiency) of revenue over expenses for the year	8,920,005	(10,177,074)
Net assets, beginning of year	153,016,682	160,677,433
Capital transfer - Consolidated Insurance Program <i>[note 10]</i>	—	2,516,323
Net assets, end of year	161,936,687	153,016,682

See accompanying notes

Canadian Forces Central Fund

Statement of cash flows

Year ended March 31

	2024	2023
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	8,920,005	(10,177,074)
Add (deduct) items not affecting cash		
Change in fair value of investments	(15,830,113)	12,639,812
Earnings/loss from Queensway Corporate Campus <i>[note 8]</i>	656,884	(10,866)
Earnings/loss from Michael Street Property <i>[note 8]</i>	(56,089)	29,761
Write-off of loans	604,022	463,313
Changes in non-cash working capital balances related to operations		
Accounts receivable	47,228,816	(8,067,321)
Accrued interest and dividend receivable	(127,816)	(184,844)
Prepaid expenses	118,213	(592,321)
Trust receivables	13,224,238	3,099,218
Accounts payable and accrued liabilities	(38,832,433)	4,103,769
Trust liabilities	5,381,812	(9,926,974)
Cash provided by (used in) operating activities	21,287,539	(8,623,527)
Investing activities		
Acquisition of portfolio investments	(132,462,227)	(343,223,320)
Proceeds from disposal of portfolio investments	126,867,345	338,077,887
New loans issued related to operations	(2,469,238)	(3,861,543)
Principal repayment of loans	27,690,308	3,345,235
Cash provided by (used) in investing activities	19,626,188	(5,661,741)
Financing activities		
Capital transfer - Consolidated Insurance Program <i>[note 10]</i>	—	2,516,323
Cash provided by financing activities	—	2,516,323
Net increase (decrease) in cash during the year	40,913,727	(11,768,945)
Cash, beginning of year	2,868,206	14,637,151
Cash, end of year	43,781,933	2,868,206

See accompanying notes

Canadian Forces Central Fund

Notes to financial statements

March 31, 2024

1. Nature of operations

Canadian Forces Central Fund ["CFCF" or the "Organization"] was established by the Chief of the Defence Staff ["CDS"] on February 1, 1968, under Section 2 and Sections 38 to 41 of the *National Defence Act*, to provide banking services to units and trusts from non-public funds, and financial assistance to units in establishing and improving messes and recreational and social facilities for the benefit of Canadian Forces personnel and their dependents.

Non-Public Property ["NPP"], as defined under the *National Defence Act*, consists of money and property contributed by Canadian Forces members. The Organization operates under the authority of the CDS in his NPP capacity.

In common with other non-public funds, CFCF 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.

Cash

Cash consists of balances with banks, cash in the broker accounts and short-term investments with a short maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Portfolio and equity investments

Portfolio investments consist of treasury bills, fixed income pooled funds, Canadian and international equities, and infrastructure and real estate pooled funds. Portfolio investments are measured at fair value, determined by reference to published price quotations in an active market at year-end. Changes in fair value are recognized in the statement of operations and changes in net assets for the year.

Investments in Queensway Corporate Campus ["QCC"] and Michael Street Property are accounted for using the equity method. The excess (deficiency) of revenue over expenses of these investments are reflected in the statement of operations and changes in net assets of CFCF during the year the excess or deficiency occurs, either increasing or decreasing the value of the investment, respectively.

Revenue recognition

Dividends, interest, and the Canadian Forces Exchange System ["CANEX"] credit plan administration fees are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Canadian Forces Central Fund

Notes to financial statements

March 31, 2024

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.

Management makes estimates in determining the estimated net realizable value of accounts receivable, loans receivable and the amount of accrued liabilities. Actual results could differ from those estimates. The estimates are reviewed annually and, as adjustments become necessary, they are recognized in the financial statements in the year they become known.

Financial instruments

CFCF initially measures its financial assets and financial liabilities issued or assumed in an arm's length transaction at fair value. Related party debt or equity instruments that are quoted in an active market, debt instruments with observable inputs that are significant to the determination of their fair value, and derivative instruments are also initially recorded 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 CFCF. 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.

CFCF subsequently measures its financial assets and financial liabilities, including related party financial instruments, at amortized cost, with the exception of portfolio investments, which are subsequently measured at fair value.

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 (deficiency) 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 (deficiency) of revenue over expenses using the straight-line method.

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Notes to financial statements

March 31, 2024

3. Cash

CFCF maintains cash in its consolidated bank account on behalf of other funds, trusts and units. The interest earned on such funds is recorded as revenue of CFCF. CFCF pays the respective funds, trusts and units for cash managed on their behalf. In fiscal 2024, CANEX, base/wing/unit funds, messes and museums received 3% interest [2023 – 0% interest due to CFCF's investment loss]. Trust accounts continue to receive varying percentages based on cash balances and options selected. These amounts are recorded as interest expense in the statement of operations and changes in net assets.

CFCF's main banking provider is Bank of Montreal; however, it also holds bank accounts with other financial institutions. Bank accounts in an overdraft position that do not have a legally enforceable right of offset with other cash balances are reported as bank indebtedness on the statement of financial position.

CFCF has an operating credit facility of \$20 million, which bears interest at its bank's prime rate [2023 – \$20 million at its bank's prime rate]. No balance is drawn as at March 31, 2024 and 2023.

4. Accounts receivable and accounts payable and accrued liabilities

CFCF assumes and manages the accounts receivable and accounts payable and accrued liabilities of all activities undertaken by Canadian Forces Morale and Welfare Services ["CFMWS"], base/wing/unit funds, messes and museums, the CANEX, Service Income Security Insurance Financial Services ["SISIP Financial"] and specialty interest activities.

Accounts receivable are comprised of the following:

	2024	2023
	\$	\$
NPP balances		
CANEX	54,288,657	53,737,138
CFMWS	202,932	49,502,190
Canadian Armed Forces Charitable Fund ["CAFCCF"]	350,499	517,046
Strathcona Trust	4,607	4,545
SISIP Financial	3,543,776	39,744
Base/wing/unit funds, messes, museums	4,695,360	4,123,845
	<u>63,085,831</u>	<u>107,924,508</u>
Trade and other receivables	3,116,966	5,504,254
	<u>66,202,797</u>	<u>113,428,762</u>
Less allowance for doubtful accounts	515,189	512,338
	<u>65,687,608</u>	<u>112,916,424</u>

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In regard to the accounts receivable assumed on behalf of CANEX, approximately \$51.5 million [2023 – approximately \$51 million] relates to CANEX's interest-free credit plans that are available for eligible patrons, with the balance being for trade receivables. There are varying repayment terms in regard to the CANEX credit plans ranging from one-year to three-year plans.

Included in accounts receivable are net government sales tax remittances of \$1,302,412 [2023 – \$750,866].

Accounts payable and accrued liabilities are comprised of the following:

	2024	2023
	\$	\$
NPP balances		
CANEX	2,920,262	3,996,622
CFMWS	11,565,377	5,973,803
CAFCF	166,026	119,867
Strathcona Trust	479	—
SISIP Financial	580,927	41,560,150
Base/wing/unit funds, messes, museums	2,226,982	2,212,378
	<u>17,460,053</u>	<u>53,862,820</u>
Trade and other payables	14,331,438	16,761,104
	<u>31,791,491</u>	<u>70,623,924</u>

5. Loans receivable

Loans issued by CFCF include unsecured capital financing loans for NPP entities, interest-free working capital loans to units on deployed operations for the duration of the deployment, and relocation loans for Staff of the NPF employees. The Organization also provides refinance loans on NPP credit balances to help members avoid default and bankruptcy, often with the assistance of SISIP Financial. Repayment terms for all CFCF loans vary from three to 20 years.

	2024	2023
	\$	\$
Interest-bearing loans [at 4%]		
CANEX	10,811,321	36,717,488
QCC	2,865,421	2,966,570
Refinance	755,575	578,572
Trenton museum	377,867	398,383
Relocation	50,426	24,689
	<u>14,860,610</u>	<u>40,685,702</u>
Less current portion	1,862,250	3,338,217
	<u>12,998,360</u>	<u>37,347,485</u>

Canadian Forces Central Fund

Notes to financial statements

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6. Portfolio investments

CFCF's surplus assets are held in a segregated fund. The fund value is presented at fair value and any unrealized gains or losses are recorded in the statement of operations and changes in net assets in the period in which the change occurs. The segregated assets are invested in accordance with the guidelines set out in the investment policy. The investment policy has set a targeted investment mix of cash and fixed income 20%–55%, Canadian equities 6%–26%, global equities 22%–42%, and infrastructure, alternatives and real estate 0%–40%. The actual allocation of funds is as follows:

	2024		2023	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Accrued interest and dividend receivable	486,212	486,266	358,396	360,193
Portfolio investments	222,152,929	193,538,268	200,727,934	184,905,672
	222,639,141	194,024,534	201,086,330	185,265,865

	2024		2023	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and equivalents	5,695,551	5,695,656	7,036,471	7,038,288
Canadian bond fund	48,665,349	49,610,229	51,899,724	53,797,274
Canadian equities	41,806,226	33,497,965	61,913,629	57,989,626
International equities	64,030,475	42,378,547	50,103,656	34,926,789
Real estate	21,307,080	22,789,669	19,128,528	21,899,723
Infrastructure and alternatives	41,134,460	40,052,468	11,004,322	9,614,165
	222,639,141	194,024,534	201,086,330	185,265,865

Long-term investments of \$33.1 million [2023 – \$29 million] are exposed to fluctuations in the US dollar.

The portfolio investments are externally managed by CIBC Asset Management, with CIBC Mellon acting as custodian.

The Cash comprises short-term investments including cash and fixed income securities with maturities of 12 months or less held by investment managers for investment purposes.

The Canadian bond fund uses a laddered portfolio with varying terms to maturity to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

Equities are diversified in different business sectors and corporation sizes.

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Notes to financial statements

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7. Trust receivables

CFCF maintains non-interest bearing assets on behalf of the following related parties [note 10]:

	2024	2023
	\$	\$
CANEX	23,498,718	—
Queensway Corporate Campus/Michael Street Property	232,670	—
SISIP Financial	—	36,955,626
	23,781,388	36,955,626

8. Equity investments

Equity investments are comprised of the following:

	2024	2023
	\$	\$
Equity in QCC	13,773,507	14,430,391
Equity in Michael Street Property	3,724,303	3,668,214
	17,497,810	18,098,605

Queensway Corporate Campus

QCC was acquired by CFCF on December 24, 2009. QCC encompasses the real estate located at 4200 Labelle Street, 4210 Labelle Street and 1223 Michael Street in Ottawa, Ontario. In common with other non-public funds, QCC is exempt from paying income tax under Part I of the *Income Tax Act* (Canada). QCC is externally managed by the property management firm, Inside Edge Properties.

	2024	2023
	\$	\$
Total assets	36,929,489	37,576,877
Total liabilities	(23,155,982)	(23,146,486)
Net assets	13,773,507	14,430,391

	2024	2023
	\$	\$
Rental revenue	8,576,714	8,527,322
Rental expenses	(9,233,598)	(8,516,456)
Excess (deficiency) of revenue over expenses	(656,884)	10,866

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Notes to financial statements

March 31, 2024

	2024	2023
	\$	\$
Cash flows provided by operating activities	1,818,552	3,008,483
Cash flows used in investing activities	(359,009)	(345)
Cash flows used in financing activities	(444,542)	(4,570,182)
Net increase (decrease) in cash during the year	1,015,001	(1,562,044)

Michael Street Property

This property is located at 1209 Michael Street in Ottawa, Ontario and was acquired on December 24, 2009. In common with other non-public funds, the property is exempt from paying income tax under Part I of the *Income Tax Act* (Canada). The property is externally managed by the property management firm, Inside Edge Properties.

	2024	2023
	\$	\$
Total assets	3,978,093	3,750,433
Total liabilities	(253,790)	(82,219)
Net assets	3,724,303	3,668,214

	2024	2023
	\$	\$
Rental revenue	703,064	619,546
Rental expense	(646,975)	(649,307)
Excess (deficiency) of revenue over expenses	56,089	(29,761)

	2024	2023
	\$	\$
Cash flows provided by operating activities	207,292	104,567
Cash flows used in investing activities	(92,897)	(121,493)
Net increase (decrease) in cash during the year	114,395	(16,926)

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Notes to financial statements

March 31, 2024

9. Trust liabilities

CFCF maintains liabilities on behalf of the following related parties *[note 10]*:

	2024	2023
	\$	\$
Base/wing/unit funds, messes	127,372,233	119,527,242
CANEX	—	1,883,650
CFMWS	899,039	2,811,550
CAFCE	19,411,103	18,404,852
Museums, Regimental Funds and alike	33,984,432	34,138,127
NPF pension/benefits	8,895,538	11,160,304
Queensway Corporate Campus/Michael Street Property	—	1,746,045
SISIP Financial	4,491,237	—
	<u>195,053,582</u>	<u>186,671,770</u>

CFCF pays interest on trust liabilities to the units and funds based on its bank's prime rate or CFCF's investment rate of return.

10. Related party transactions

Among the other entities that operate under the authority of the CDS in his NPP capacity are CFMWS, CANEX, SISIP Financial, CAFCE, QCC, Michael Street Property, NPF Employee Group Insurance Plan and Canadian Forces Non-Public Funds (NPF) Employees Pension Plan.

CFCF received administration fees of \$837,068 [2023 – \$818,071] related to credit plans purchased from CANEX *[note 4]*.

CFCF paid interest of \$6,831,162 [2023 – \$1,262,482] to NPP entities [including base/wing/unit funds, messes, museums and trusts] that hold shares in the internal consolidated bank account administered by CFCF.

Expenses include user fees of \$350,000 [2023 – \$350,000] paid for services received from CFMWS in relation to accounting.

During the year, CFCF contributed \$4,492,000 [2023 – nil] to CFMWS to support NPP morale and welfare services, programs and governance.

In the current year, nil [2023 – \$2,516,322] in CIP net assets were transferred from CFMWS to CFCF.

The aforementioned related party transactions have repayment terms and on initial recognition were recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest payments.

Canadian Forces Central Fund

Notes to financial statements

March 31, 2024

11. Financial instruments and risk management

CFCF is exposed to various risks through its financial instruments. The following analysis provides a measure of CFCF's risk exposure as at the statement of financial position date:

Market risk

Market risk arises as a result of trading in equity the portfolio investments. Fluctuations in the market expose CFCF to a risk of loss.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CFCF is exposed to interest rate risk on its fixed-interest short-term financial instruments, which include cash and cash equivalents, loans receivable, and Canadian bond fund.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management believes that no material other price risk factors exist.

Foreign currency risk

CFCF is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

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. CFCF is exposed to credit risk on its loans receivable and short-term investments, including interest and dividends receivable.

Liquidity risk

Liquidity risk is the risk CFCF will have difficulty in meeting obligations associated with financial liabilities, which include accounts payable and accrued liabilities and trust liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. CFCF believes that its recurring financial resources are adequate to cover all its expenditures.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.