

FINANCIAL STATEMENTS
For
CANADIAN FORCES PERSONNEL ASSISTANCE FUND
For year ended
DECEMBER 31, 2007

AUDITORS' REPORT

To the Non-Public Property Board

We have audited the statement of financial position of the Canadian Forces Personnel Assistance Fund as at December 31, 2007 and the statements of revenue and expense and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
March 7, 2008.

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ 1,384,663	\$ 3,205,643
Contributions and other receivables	756,453	17,331
Current portion of self-improvement loans receivable (note 6)	4,971,495	4,392,856
Current portion of distress loans receivable (note 6)	882,631	759,927
Current portion of education loans receivable (note 6)	<u>2,040,203</u>	<u>2,042,218</u>
	<u>10,035,445</u>	<u>10,417,975</u>
OFFICE EQUIPMENT , net of accumulated amortization of \$5,623 (2006 - \$21,991)	623	1,094
SELF-IMPROVEMENT LOANS RECEIVABLE (note 6)	1,399,471	992,833
DISTRESS LOANS RECEIVABLE (note 6)	1,243,446	1,037,893
EDUCATION LOANS RECEIVABLE (note 6)	<u>2,637,329</u>	<u>2,693,547</u>
	<u>5,280,869</u>	<u>4,725,367</u>
TRUST ASSETS		
Deposit with Canadian Forces Central Fund	<u>34,184</u>	<u>49,992</u>
	<u>\$ 15,350,498</u>	<u>\$ 15,193,334</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 10,304	\$ 9,696
TRUST LIABILITIES (note 7)	<u>34,184</u>	<u>49,992</u>
	44,488	59,688
FUND BALANCE	<u>15,306,010</u>	<u>15,133,646</u>
	<u>\$ 15,350,498</u>	<u>\$ 15,193,334</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE
YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Interest on deposits	\$ 182,138	\$ 154,016
Contributions from levies	300,337	289,951
Interest on loans receivable	485,867	491,961
Donations	35,179	8,879
Contributed services (notes 2 and 3)	<u>48,753</u>	<u>48,753</u>
	<u>1,052,274</u>	<u>993,560</u>
Expenses		
Salaries and employee benefits	484,579	464,377
Grants	159,409	103,601
Bad debts - net of recoveries	173,753	289,465
Contributed services (notes 2 and 3)	48,753	48,753
Amortization	471	449
Miscellaneous	<u>12,945</u>	<u>10,680</u>
	<u>879,910</u>	<u>917,325</u>
Net revenue	172,364	76,235
Fund balance at beginning of year	<u>15,133,646</u>	<u>15,057,411</u>
Fund balance at end of year	<u>\$ 15,306,010</u>	<u>\$ 15,133,646</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL ASSISTANCE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net revenue	\$ 172,364	\$ 76,235
Items not affecting cash -		
Loans written off	185,187	297,502
Amortization	<u>471</u>	<u>449</u>
	358,022	374,186
Changes in level of:		
Contributions and other receivables	(739,122)	(9,055)
Accounts payable and accrued liabilities	608	1,500
Trust liabilities	<u>(15,808)</u>	<u>10,874</u>
	<u>(396,300)</u>	<u>377,505</u>
Investing activities		
Purchase of office equipment	-	(1,074)
Self-improvement loans advanced	(7,680,474)	(6,289,169)
Distress loans advanced	(1,363,600)	(1,035,209)
Education loans advanced	(2,324,900)	(2,600,100)
Repayment of self-improvement loans	6,559,344	7,173,353
Repayment of distress loans	1,040,635	1,058,254
Repayment of education loans	<u>2,328,507</u>	<u>2,188,667</u>
	<u>(1,440,488)</u>	<u>494,722</u>
Increase (decrease) in cash	(1,836,788)	872,227
Cash and deposits at beginning of year	<u>3,255,635</u>	<u>2,383,408</u>
Cash and deposits at end of year	\$ <u>1,418,847</u>	\$ <u>3,255,635</u>
Cash and deposits consist of:		
Deposits with Canadian Forces Central Fund		
- operating fund	\$ 1,384,663	\$ 3,205,643
- trust fund	<u>34,184</u>	<u>49,992</u>
	\$ <u>1,418,847</u>	\$ <u>3,255,635</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

1. AUTHORITY, PURPOSE AND OBJECTIVES

The Canadian Forces Personnel Assistance Fund ("CFPAF") operates as a charitable organization and was established under the authority of the National Defence Act Section 39, by CDS Order - CFPAF, on December 8, 1969. CFPAF is registered with the Canada Revenue Agency as a charitable organization and is exempt from paying income tax under Part I of Income Tax Act. The purpose of CFPAF is to provide financial assistance to serving or former members of the Canadian Forces and their dependants when warranted by distress or other deserving circumstances. These objectives are achieved by means of counseling and financial assistance in the form of self-improvement loans, distress loans, education loans and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Office equipment*

Office equipment is recorded at cost and amortized on a straight-line basis over its estimated useful life at an annual rate of 24%.

(b) *Contributions from levies*

Contributions from the Canadian Forces Central Fund ("CFCF") are recorded monthly upon allocation in accordance with the agreement between CFCF and the Fund.

(c) *Interest on loans receivable*

Interest on loans receivable are recorded as revenue over the term of the related loan.

(d) *Grants*

Grants are recorded as expenses when paid or when conversions of loans to grants are approved by the CFPAF manager.

(e) *Contributed services*

SISIP Financial Services and the Canadian Forces Personnel Support Agency provides office accommodation, telephone charges, information technology and human resources to the Fund. In addition, departmental employees participate in the administration of loan applications, cheque issuance and collection of monies by payroll deductions on behalf of the Fund. The fair value of these services have been presented in the financial statements.

(f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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CANADIAN FORCES PERSONNEL ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2007

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2007, the organization adopted The Canadian Institute of Chartered Accountants Handbook (CICA) Sections 3855 and 3861. Section 3855 (Financial Instruments - Recognition and Measurement) addresses when financial instruments should be recognized and how they should be measured. Section 3861 (Financial Instruments (Disclosure and Presentation) provides standards on how financial instruments should be presented and disclosed in the financial statements. These new standards have been applied prospectively in accordance with the transitional provisions reflected in the Handbook. Since the organization does not have investments in marketable securities, derivatives or other complex financial instruments, the adoption of these new standards did not significantly affect the organization's financial statements.

Also during the year, management decided to present in the financial statements, the fair value of contributed services. This change has been stated retroactively with neither the opening nor the closing fund balances being increased or decreased as a result of this change.

4. NEW ACCOUNTING STANDARDS

On December 1, 2006, the CICA issued two new accounting standards, Handbook Section 3862 (Financial Instruments - Disclosures) and Handbook Section 3863 (Financial Instruments - Presentation). These new standards are effective for the organization's annual financial statements for the year ended December 31, 2008. The new Sections replace Handbook Section 3861 (Financial Instruments - Disclosure and Presentation), revising and enhancing its disclosure requirements, and carrying forward unchanged its financial presentation requirements. The organization is currently assessing the impact of these new accounting standards on its financial statements.

5. FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position consist of a deposit with Canadian Forces Central Fund ("CFCF"), contributions and other receivables, loans receivable and accounts payable and accrued liabilities. Financial instruments, which potentially subject the fund to a concentration of credit risk, consist principally of the deposit with CFCF and loans receivable. Funds are deposited with CFCF and are part of CFCF's investment portfolio performance. CFPAF does not require collateral or other security to support loans advanced to serving and former members of the Canadian Forces and therefore, bears an element of credit risk. CFPAF has credit evaluation, counseling, approval and monitoring processes intended to mitigate potential credit risks. All of the loan repayment programs are either by monthly automatic deduction from payroll through the pay allotment system or by monthly pre-authorized debit. Interest risk is heightened for loans receivable given that the interest rates are fixed by policy. As outlined in note 6, anticipated bad debts of \$404,549 (2006 - \$388,524) have been provided on these loans.

The fair value of the deposit with CFCF, contributions and other receivables and accounts payable and accrued liabilities approximates their carrying value due to their short term nature. It is not practicable to determine the fair value of the self-improvement, distress and education loans receivable. The terms and conditions of these loans have been outlined in note 6.

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CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2007

6. LOANS RECEIVABLE

(a) *Self-improvement loans*

Member loans range from \$500 to \$4,000. Terms of repayment vary from 12 to 24 months and bear an annual interest rate of 5.5%.

(b) *Distress loans*

Individual loans of up to \$25,000 may be granted with payment terms extending to 5 years and bear an annual interest rate of 2%.

(c) *Education loans*

Applicants may request a maximum of \$4,000 per student with repayment over 12, 24, 36 or 48 months at an annual interest rate of 3%. The lifetime maximum per student is \$16,000.

Loans receivable are comprised of the following:

	<u>Self-Improvement</u>		<u>Distress</u>		<u>Education</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total loans receivable	\$ 6,529,218	\$ 5,534,679	\$ 2,306,881	\$ 1,981,419	\$ 4,743,025	\$ 4,791,700
Allowance for doubtful accounts	<u>(158,252)</u>	<u>(148,990)</u>	<u>(180,804)</u>	<u>(183,599)</u>	<u>(65,493)</u>	<u>(55,935)</u>
	6,370,966	5,385,689	2,126,077	1,797,820	4,677,532	4,735,765
Current portion	<u>4,971,495</u>	<u>4,392,856</u>	<u>882,631</u>	<u>759,927</u>	<u>2,040,203</u>	<u>2,042,218</u>
Long-term portion	<u>\$ 1,399,471</u>	<u>\$ 992,833</u>	<u>\$ 1,243,446</u>	<u>\$ 1,037,893</u>	<u>\$ 2,637,329</u>	<u>\$ 2,693,547</u>

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CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2007

7. TRUST LIABILITIES

The Canadian Forces Personnel Assistance Fund administers three trust funds.

The Distress Trust Account was established to provide distressed individuals and their immediate families with loans or grants to provide immediate relief. The loans and grants are determined by CFPAF and payments are distributed upon receipt of invoices or supporting documents.

Mrs. Isabelle MacDonald established a Memorial Trust Fund in memory of her son, Corporal Ronald MacDonald, who died on December 10, 1975 while serving with the Canadian Forces in West Germany. The purpose of the fund is to assist in alleviating financial problems incurred by members of the Canadian Forces and their families. Grants will be paid out of the Trust Fund by the CFPAF Manager to a maximum of \$500 per case. The original endowment of \$20,000 is to remain in perpetuity. Interest is paid monthly to the Trust Fund calculated at the monthly CFCF interest rate payable to CFPAF less 1%.

The Logistics Branch Bursary Fund was established in January 1994 by members of the Logistics Branch of the Canadian Forces to provide educational bursaries to dependants of Logistics members to assist with their post secondary studies. Adjudication of awards rests solely with a special committee established by the Logistics Branch Advisor. Interest is paid monthly to the Trust Fund calculated at the monthly CFCF interest rate payable to CFPAF less 2%.

The following is a summary of transactions for the year:

	<u>Distress Trust</u>	<u>Corporal Ronald MacDonald Memorial Trust Fund</u>	<u>Logistics Branch Bursary Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
Balance at beginning of year	\$ 18,407	\$ 20,702	\$ 10,883	\$ 49,992	\$ 39,118
Deposits	246,739	-	-	246,739	154,586
Interest received	-	1,114	478	1,592	1,497
Disbursements	<u>(260,139)</u>	<u>(1,000)</u>	<u>(3,000)</u>	<u>(264,139)</u>	<u>(145,209)</u>
Balance at end of year	<u>\$ 5,007</u>	<u>\$ 20,816</u>	<u>\$ 8,361</u>	<u>\$ 34,184</u>	<u>\$ 49,992</u>

8. PENSION PLAN

The Non-Public Funds Employees Pension Plan (the "Plan") is a defined benefit pension plan which provides retirement benefits relating to contributions and years of service. Substantially all CFPAF employees are eligible to be members of the Plan. Plan contributions are included in salaries and employee benefits. At December 31, 2007, the plan was in a surplus position.