

FINANCIAL STATEMENTS
For
CANADIAN FORCES PERSONNEL SUPPORT AGENCY
For the fiscal year ended
MARCH 31, 2008

AUDITORS' REPORT

To the Non-Public Property Board

CANADIAN FORCES PERSONNEL SUPPORT AGENCY

We have audited the statement of financial position of the Canadian Forces Personnel Support Agency as at March 31, 2008 and the statements of changes in net assets, revenue and expense and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Agency'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 Agency as at March 31, 2008 and the changes in net assets, the results of its operations and cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 25, 2008.

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

	<u>March 31,</u> <u>2008</u>	<u>April 1,</u> <u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	-	2,158,711
Accounts receivable	4,062,232	1,045,252
Prepaid expenses	<u>413,694</u>	<u>250,403</u>
	4,477,226	3,455,666
FURNISHINGS AND EQUIPMENT (note 6)	<u>1,520,664</u>	<u>1,554,734</u>
	<u>\$ 5,997,890</u>	<u>\$ 5,010,400</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 907,469	\$ 2,761,905
Due to Canadian Forces Central Fund (note 7)	<u>2,070,306</u>	<u>-</u>
	<u>2,977,775</u>	<u>2,761,905</u>
NET ASSETS		
Unrestricted	373,231	554,836
Internally restricted (note 8)		
Future personnel costs (Public)	1,182,262	495,279
Future insurance costs	<u>1,464,622</u>	<u>1,198,380</u>
	<u>3,020,115</u>	<u>2,248,495</u>
	<u>\$ 5,997,890</u>	<u>\$ 5,010,400</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
STATEMENT OF CHANGES IN NET ASSETS
FISCAL YEAR ENDED MARCH 31, 2008

	March 31, 2008			April 1, 2007	
	<u>Unrestricted</u>	<u>Internally restricted</u>		<u>Total</u>	<u>Total</u>
		<u>Future Personnel Costs (Public)</u>	<u>Future Insurance Costs</u>		
Balance, beginning of year	\$ 554,836	\$ 495,279	\$ 1,198,380	\$ 2,248,495	\$ 3,154,805
Net NPF operating revenue	83,254	-	-	83,254	3,739
Net Public programs and operating revenue (expense)	1,865,400	-	-	1,865,400	(287,477)
Employer costs charged to restricted future personnel costs - NPF	-	(83,254)	-	(83,254)	-
- Public	-	(1,093,780)	-	(1,093,780)	(622,572)
Net revenue (expense)	<u>1,948,654</u>	<u>(1,177,034)</u>	<u>-</u>	<u>771,620</u>	<u>(906,310)</u>
	2,503,490	(681,755)	1,198,380	3,020,115	2,248,495
Internally imposed restrictions	<u>(2,130,259)</u>	<u>1,864,017</u>	<u>266,242</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 373,231</u>	<u>\$ 1,182,262</u>	<u>\$ 1,464,622</u>	<u>\$ 3,020,115</u>	<u>\$ 2,248,495</u>

(See accompanying notes)

**CANADIAN FORCES PERSONNEL SUPPORT AGENCY
STATEMENT OF REVENUE AND EXPENSE
FISCAL YEAR ENDED MARCH 31, 2008**

	March 31, <u>2008</u>	April 1, <u>2007</u>
Revenue		
User Fees for Services		
Canadian Forces Exchange System (CANEX)	\$ 2,894,336	\$ 2,965,079
Service Income Security Insurance Plan (SISIP)	679,474	640,457
Base/Wing Funds/Messes	3,922,471	4,097,183
Canadian Forces Central Fund (CFCF)	493,073	482,459
Pension Administration	<u>165,000</u>	<u>167,351</u>
	<u>8,154,354</u>	<u>8,352,529</u>
Contributions		
CANEX Contribution to Non-Public Fund (NPF) Services and Operations	500,003	750,000
SISIP Contribution to Programs and Distributions	4,948,859	4,100,954
CFCF Contribution to Programs and Distributions	763,500	1,057,890
CFCF Contribution to NPF Services and Operations	1,639,586	2,014,078
Other Revenue	<u>216,622</u>	<u>147,304</u>
	<u>8,068,570</u>	<u>8,070,226</u>
	<u>16,222,924</u>	<u>16,422,755</u>
Expenses		
NPF Services		
NPF Accounting	3,589,691	4,061,812
Information Management/Information Technology (IM/IT)	2,223,157	2,123,041
Human Resources (HR) Management Services	2,638,697	2,722,433
Consolidated Insurance Program	<u>705,738</u>	<u>839,222</u>
	<u>9,157,283</u>	<u>9,746,508</u>
Corporate Operations		
Canadian Forces Personal Support Agency (CFPSA)		
Executive Management	281,918	751,355
Personnel Support Program (PSP) Management - Headquarters	152,061	90,287
Internal Audit and Review	217,110	173,482
NPP Contract Support	100,000	-
Services Support/Shipping & Receiving	-	341,440
Other	<u>18,937</u>	<u>61,100</u>
	<u>770,026</u>	<u>1,417,664</u>
Programs		
Sports Grant	75,075	138,823
Conseil International du Sport Militaire (CISM)	168,002	424,365
Sports Banquet	179,264	158,570
Volunteers Recognition Program	86,627	88,954
Youth Program	587,838	746,416
Customer Relationship Management	230,370	212,592
Amenities	-	1,823
CF Discount Program	100,000	-
Sponsorship/Donation	<u>136,209</u>	<u>41,839</u>
	<u>1,563,385</u>	<u>1,813,382</u>
Distributions		
Capital Projects	1,858,999	675,000
CANEX/SISIP Morale and Welfare Grant	2,724,014	2,697,535
PSP Grant	<u>65,963</u>	<u>68,927</u>
	<u>4,648,976</u>	<u>3,441,462</u>
	<u>16,139,670</u>	<u>16,419,016</u>
Net NPF operating revenue before item below	83,254	3,739
Employer costs charged to restricted future personnel costs	<u>(83,254)</u>	<u>-</u>
Net NPF operating revenue	-	3,739
Net Public operating revenue (expense) - schedule A	<u>771,620</u>	<u>(910,049)</u>
Net revenue (expense)	<u>\$ 771,620</u>	<u>\$ (906,310)</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED MARCH 31, 2008

	March 31, <u>2008</u>	April 1, <u>2007</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net revenue (expense)	\$ 771,620	\$ (906,310)
Item not affecting cash:		
Amortization	<u>746,971</u>	<u>752,310</u>
	1,518,591	(154,000)
Changes in level of:		
Accounts receivable	(3,016,980)	7,835,281
Prepaid expenses	(163,291)	9,715
Accounts payable and accrued liabilities	<u>(1,854,436)</u>	<u>(4,187,751)</u>
	<u>3,516,116</u>	<u>3,503,245</u>
Investing activities		
Purchase of furnishings and equipment	<u>(712,901)</u>	<u>(574,732)</u>
Financing activities		
Advances from (repayments to) Canadian Forces Central Fund	<u>2,070,306</u>	<u>(769,802)</u>
Increase (decrease) in cash	(2,158,711)	2,158,711
Cash and deposit at beginning of year	<u>2,160,011</u>	<u>1,300</u>
Cash and deposit at end of year	<u>\$ 1,300</u>	<u>\$ 2,160,011</u>
Cash and deposit consist of:		
Cash	\$ 1,300	\$ 1,300
Deposit with Canadian Forces Central Fund	<u>-</u>	<u>2,158,711</u>
	<u>\$ 1,300</u>	<u>\$ 2,160,011</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED MARCH 31, 2008

1. NATURE OF OPERATIONS

The Canadian Forces Personnel Support Agency ("CFPSA"), created on April 4, 2005, is both a staff/headquarters organization for the NPF and Public funded programs, Public reimbursed NPF programs as well as Public funded programs. In common with other non-public funds, CFPSA is exempt from paying income tax under Part 1 of the Income Tax Act.

Subsequent to the year-end, the Non-Public Property Board approved a name change for the Agency such that effective April 21, 2008, the Agency would now be known as the Canadian Forces Personnel and Family Support Service ("CFPFSS")

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Furnishings and equipment*

Furnishings and equipment are recorded at cost and amortized at the following rates:

Office furniture	12% straight-line
Computer equipment	24% straight-line

(b) *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.

3. CHANGE IN ACCOUNTING POLICY

Effective April 2, 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.

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 March 31, 2009. The new Sections replace Handbook 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.

.../2

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
NOTES TO FINANCIAL STATEMENTS - Cont'd.
FISCAL YEAR ENDED MARCH 31, 2008

5. FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities and due to Canadian Forces Central Fund. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

6. FURNISHINGS AND EQUIPMENT

	<u>March 31, 2008</u>	<u>Net book value</u>	<u>April 1, 2007</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Office furniture	\$ 180,019	\$ 125,887	\$ 54,132
Computer equipment	<u>6,107,103</u>	<u>4,640,571</u>	<u>1,466,532</u>
	<u>\$ 6,287,122</u>	<u>\$ 4,766,458</u>	<u>\$ 1,520,664</u>
			<u>\$ 1,554,734</u>

7. DUE TO CANADIAN FORCES CENTRAL FUND (CFCF)

The amount due to CFCF represents the net amount owing to CFCF at March 31, 2008 for amounts paid on behalf of CFPSA in the fiscal year. This amount is non-interest bearing and has no fixed terms of repayment.

8. INTERNALLY RESTRICTED NET ASSETS

(a) *Future Personnel Costs (Public)*

Amounts have been designated to provide funding for future PSP personnel costs, such as pension, severance pay, hiring costs, accumulated leave, maternity leave, etc.

(b) *Future Insurance Costs*

Amounts have been designated to provide funding for future NPF insurance claims based on the premium savings resulting from the increase in property self insured retention levels of \$1 million for each and every loss, and aggregate limit.

9. 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 CFPSA employees are eligible to be members of the Plan. At December 31, 2007, the plan was in a surplus position.

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
NOTES TO FINANCIAL STATEMENTS - Cont'd.
FISCAL YEAR ENDED MARCH 31, 2008

10. RELATED PARTY TRANSACTIONS

Non-Public Property (NPP), as defined under the National Defence Act, consists of money and property contributed by Canadian Forces members and is administered for their benefit by the CFPSA. The CFPSA is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, CANEX, Personnel Support Programs and SISIP Financial Services (including the Canadian Forces Personnel Assistance Fund). Under the National Defence Act, NPP is explicitly excluded from the Financial Administration Act. The government provides some services to NPP such as accommodation and security for which no charge is made. The cost of providing these services is included in the Public Accounts and is reported annually within the Department of National Defence in accordance with the requirements of the Financial Administration Manual Chapter 1019-8.

CFPSA administered estimated revenues and expenses of \$305 million and \$300 million, respectively, and net equity of \$560 million at March 31, 2008 which are excluded from the financial statements of the Government of Canada.

In addition, during the fiscal year, CFPSA charged other Non-Public Fund entities for accounting, human resources management, information management and information technology and consolidated insurance program services.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The charges are as follows:

	<u>CANEX</u>	<u>SISIP</u>	<u>Bases/ Wings/ Messes</u>	<u>CFCF</u>	<u>Total</u>
Accounting	\$ 1,527,997	\$ 144,926	\$ 1,954,553	\$ 205,657	\$ 3,833,133
Information management/ Information technology	482,005	161,771	-	264,995	908,771
Human resources management	573,341	372,777	1,359,573	22,421	2,328,112
Consolidated insurance program	<u>310,993</u>	<u>-</u>	<u>608,345</u>	<u>-</u>	<u>919,338</u>
Total	<u>\$ 2,894,336</u>	<u>\$ 679,474</u>	<u>\$ 3,922,471</u>	<u>\$ 493,073</u>	<u>\$ 7,989,354</u>

CANADIAN FORCES PERSONNEL SUPPORT AGENCY
STATEMENT OF PUBLIC OPERATING REVENUE AND EXPENSE
FISCAL YEAR ENDED MARCH 31, 2008

	March 31, <u>2008</u>	April 1, <u>2007</u>
Revenue		
C108 - Military Family Support	\$ 20,565,029	\$ 21,775,620
C109 - Personnel Support Program	59,126,179	51,932,068
Health Promotion	4,188,769	-
Other Public Funds	<u>6,150,438</u>	<u>4,632,709</u>
Total Revenue	<u>90,030,415</u>	<u>78,340,397</u>
Expenses		
C108 - Military Family Support	20,577,822	21,775,620
C109 - Personal Support Program		
CFPSA Executive Management	1,488,934	666,941
Human Performance	82,528	367,997
PSP Management - HQ and Field	5,631,775	4,513,166
Military Physical Fitness and Sports Program	21,282,400	20,476,906
Mess Management	2,640,756	2,562,300
PSP for Deployed Operations	4,351,955	3,911,757
PSP in Support to Small Units	951,161	904,731
Youth Program	871,296	566,191
Customer Relationship Management	382,395	960,000
SISIP Financial Counseling and Education	3,052,913	2,954,557
Accidental Dismemberment Insurance	1,924,624	1,204,319
CANEX Management	2,395,388	2,277,572
NPF Accounting	5,696,665	4,977,768
NPF HR Management	3,020,327	3,071,347
Information Management/Information Technology (IM/IT)	1,813,408	1,428,689
Internal Audit and Review	970,708	1,028,196
Other	930,946	650,180
Health Promotion	4,139,483	-
Other Public Funds	<u>5,959,531</u>	<u>4,329,637</u>
Total Expenses	<u>88,165,015</u>	<u>78,627,874</u>
Net Public programs and operating revenue (expense) before item below	1,865,400	(287,477)
Employer costs charged to restricted future personnel costs	<u>(1,093,780)</u>	<u>(622,572)</u>
Net Public operating revenue (expense)	<u>\$ 771,620</u>	<u>\$ (910,049)</u>