

**FINANCIAL STATEMENTS**  
**For**  
**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**  
**For year ended**  
**DECEMBER 31, 2009**

## AUDITORS' REPORT

To the Non-Public Property Board

### **CANADIAN FORCES PERSONNEL ASSISTANCE FUND**

We have audited the statement of financial position of the Canadian Forces Personnel Assistance Fund as at December 31, 2009 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, 2009 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 1, 2010.

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| <b><u>ASSETS</u></b>   |                      |                      |
| <b>CURRENT ASSETS</b>  |                      |                      |
| Deposit with Canadian Forces Central Fund  | \$ 833,498           | \$ 1,940,639         |
| Contributions and other receivables  | 16,338               | 26,385               |
| Current portion of self-improvement loans receivable (note 5)                            | 6,380,446            | 5,639,815            |
| Current portion of distress loans receivable (note 5)                                    | 1,119,427            | 950,983              |
| Current portion of education loans receivable (note 5)                                   | <u>1,947,226</u>     | <u>2,047,489</u>     |
|  | <u>10,296,935</u>    | <u>10,605,311</u>    |
| <b>OFFICE EQUIPMENT</b> , net of accumulated amortization<br>of \$7,368 (2008 - \$5,912) | 1,256                | 1,884                |
| <b>SELF-IMPROVEMENT LOANS RECEIVABLE</b> (note 5)  | 1,751,405            | 1,600,167            |
| <b>DISTRESS LOANS RECEIVABLE</b> (note 5)  | 1,701,221            | 1,363,013            |
| <b>EDUCATION LOANS RECEIVABLE</b> (note 5)   | <u>2,418,619</u>     | <u>2,543,442</u>     |
|  | <u>5,872,501</u>     | <u>5,508,506</u>     |
| <b>TRUST ASSETS</b>  |                      |                      |
| Deposit with Canadian Forces Central Fund  | <u>49,988</u>        | <u>30,553</u>        |
|  | <u>\$ 16,219,424</u> | <u>\$ 16,144,370</u> |
| <b><u>LIABILITIES AND FUND BALANCE</u></b>   |                      |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |
| Accounts payable and accrued liabilities   | \$ 17,127            | \$ 19,129            |
| <b>TRUST LIABILITIES</b> (note 6)  | <u>49,988</u>        | <u>30,553</u>        |
|  | 67,115               | 49,682               |
| <b>FUND BALANCE</b>  | <u>16,152,309</u>    | <u>16,094,688</u>    |
|  | <u>\$ 16,219,424</u> | <u>\$ 16,144,370</u> |

Approved:

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(See accompanying notes)

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**  
**STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2009**

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| <b>Revenue</b>                           |                      |                      |
| Interest on deposits                     | \$ 41,778            | \$ 97,377            |
| Contributions from levies                | 311,522              | 313,569              |
| Interest on loans receivable             | 593,710              | 546,656              |
| Donations                                | 32,935               | 834,704              |
| Contributed services (note 2)            | <u>52,441</u>        | <u>49,668</u>        |
|  | <u>1,032,386</u>     | <u>1,841,974</u>     |
| <b>Expenses</b>                          |                      |                      |
| Salaries and employee benefits           | 424,074              | 487,359              |
| Grants                                   | 242,032              | 222,560              |
| Bad debts - net of recoveries            | 245,017              | 280,655              |
| Contributed services (note 2)            | 52,441               | 49,668               |
| Amortization                             | 628                  | 289                  |
| Miscellaneous                            | <u>10,573</u>        | <u>12,765</u>        |
|  | <u>974,765</u>       | <u>1,053,296</u>     |
| <b>Net revenue</b>                       | 57,621               | 788,678              |
| <b>Fund balance at beginning of year</b> | <u>16,094,688</u>    | <u>15,306,010</u>    |
| <b>Fund balance at end of year</b>       | <u>\$ 16,152,309</u> | <u>\$ 16,094,688</u> |

(See accompanying notes)

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2009**

|   | <u>2009</u>        | <u>2008</u>         |
|---|--------------------|---------------------|
| <b>CASH PROVIDED FROM (USED IN)</b>           |                    |                     |
| <b>Operating activities</b>                   |                    |                     |
| Net revenue                                   | \$ 57,621          | \$ 788,678          |
| Items not affecting cash -                    |                    |                     |
| Loans written off                             | 246,595            | 283,636             |
| Amortization                                  | <u>628</u>         | <u>289</u>          |
|   | 304,844            | 1,072,603           |
| Changes in level of:                          |                    |                     |
| Contributions and other receivables           | 10,047             | 730,068             |
| Accounts payable and accrued liabilities      | (2,002)            | 8,825               |
| Trust liabilities                             | <u>19,435</u>      | <u>(3,631)</u>      |
|   | <u>332,324</u>     | <u>1,807,865</u>    |
| <b>Investing activities</b>                   |                    |                     |
| Purchase of office equipment                  | -                  | (1,550)             |
| Self-improvement loans advanced               | (9,327,784)        | (8,432,353)         |
| Distress loans advanced                       | (1,860,228)        | (1,431,191)         |
| Education loans advanced                      | (2,189,100)        | (2,332,800)         |
| Repayment of self-improvement loans           | 8,300,313          | 7,435,555           |
| Repayment of distress loans                   | 1,313,539          | 1,163,799           |
| Repayment of education loans                  | <u>2,343,230</u>   | <u>2,343,020</u>    |
|   | <u>(1,420,030)</u> | <u>(1,255,520)</u>  |
| <b>Increase (decrease) in cash</b>            | (1,087,706)        | 552,345             |
| <b>Cash and deposits at beginning of year</b> | <u>1,971,192</u>   | <u>1,418,847</u>    |
| <b>Cash and deposits at end of year</b>       | \$ <u>883,486</u>  | \$ <u>1,971,192</u> |
| <b>Cash and deposits consist of:</b>          |                    |                     |
| Deposits with Canadian Forces Central Fund    |                    |                     |
| - operating fund                              | \$ 833,498         | \$ 1,940,639        |
| - trust fund                                  | <u>49,988</u>      | <u>30,553</u>       |
|   | \$ <u>883,486</u>  | \$ <u>1,971,192</u> |

(See accompanying notes)

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2009**

**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 operates under the authority of the Chief of the Defence Staff in his Non-Public Property (NPP) capacity. Responsibility for directing the affairs of CFPAF rests with the Non-Public Property Board.

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 January 2004 agreement between CFCF and the Fund. These contributions are comprised of 0.25% from Canadian Forces Base/Wing/Unit Fund and Mess retail sales and 0.15% from CANEX retail sales.

*(c) Interest on loans receivable*

Interest on loans receivable is 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 and Family Support Services, entities also under the authority of the Non-Public Property Board, provide 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.

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

(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.

**3. NEW ACCOUNTING STANDARDS**

On December 1, 2009, the CICA decided to defer the requirement for not-for-profit-organizations to adopt Handbook Sections 3862 (Financial Instruments - Disclosures) and 3863 (Financial Instruments - Presentation) and to permit these organizations to continue to apply Section 3861 (Financial Instruments - Disclosure and Presentation) instead. Since new financial instrument standards for not-for-profit organizations may be forthcoming, the organization has decided to continue to apply Section 3861 and has not adopted Sections 3862 and 3863.

**4. 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. CFPAP 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. CFPAP 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 5, anticipated bad debts of \$445,000 (2008 - \$432,472) 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 5.

**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2009**

**5. 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>2009</u>             | <u>2008</u>         | <u>2009</u>         | <u>2008</u>         | <u>2009</u>         | <u>2008</u>         |
| Total loans receivable          | \$ 8,260,851            | \$ 7,385,373        | \$ 3,040,648        | \$ 2,515,711        | \$ 4,461,845        | \$ 4,676,297        |
| Allowance for doubtful accounts | <u>(129,000)</u>        | <u>(145,391)</u>    | <u>(220,000)</u>    | <u>(201,715)</u>    | <u>(96,000)</u>     | <u>(85,366)</u>     |
|                                 | 8,131,851               | 7,239,982           | 2,820,648           | 2,313,996           | 4,365,845           | 4,590,931           |
| Current portion                 | <u>6,380,446</u>        | <u>5,639,815</u>    | <u>1,119,427</u>    | <u>950,983</u>      | <u>1,947,226</u>    | <u>2,047,489</u>    |
| Long-term portion               | <u>\$ 1,751,405</u>     | <u>\$ 1,600,167</u> | <u>\$ 1,701,221</u> | <u>\$ 1,363,013</u> | <u>\$ 2,418,619</u> | <u>\$ 2,543,442</u> |



**CANADIAN FORCES PERSONNEL ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2009**

**6. TRUST LIABILITIES**

The Canadian Forces Personnel Assistance Fund ("CFPAF") 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<br/>Trust</u> | <u>Corporal<br/>Ronald<br/>MacDonald<br/>Memorial<br/>Trust Fund</u> | <u>Logistics<br/>Branch<br/>Bursary<br/>Fund</u> | <u>2009<br/>Total</u> | <u>2008<br/>Total</u> |
|------------------------------|---------------------------|--|--|-----------------------|-----------------------|
| Balance at beginning of year | \$ 3,780                  | \$ 20,662  | \$ 6,111   | \$ 30,553             | \$ 34,184             |
| Deposits                     | 276,033                   | -  | -  | 276,033               | 172,162               |
| Interest received            | -                         | 343  | 41   | 384                   | 1,096                 |
| Disbursements                | <u>(256,482)</u>          | <u>(500)</u>   | <u>-</u>   | <u>(256,982)</u>      | <u>(176,889)</u>      |
| Balance at end of year       | <u>\$ 23,331</u>          | <u>\$ 20,505</u>   | <u>\$ 6,152</u>                                  | <u>\$ 49,988</u>      | <u>\$ 30,553</u>      |

**7. 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 of \$30,342 (2008 - \$24,681) are included in salaries and employee benefits.

**8. CAPITAL DISCLOSURES**

CICA Handbook Section 1535 (Capital Disclosures) requires that the organization disclose information about its capital and how it is managed.

The organization defines its capital as its fund balance and is not subject to external restrictions on its capital. The organization's objective when managing its capital is to hold sufficient funds to maintain the stability of its financial structure enabling it to focus its efforts on serving its members.