

FINANCIAL STATEMENTS
For
CANADIAN FORCES PERSONNEL ASSISTANCE FUND
For year ended
DECEMBER 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Non-Public Property Board

We have audited the accompanying financial statements of the Canadian Forces Personnel Assistance Fund, which comprise the statement of financial position as at December 31, 2011 and the statements of revenue and expense and fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Forces Personnel Assistance Fund as at December 31, 2011 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
November 5, 2012.

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CANADIAN FORCES PERSONNEL ASSISTANCE FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ 1,653,414	\$ 942,384
Contributions and other receivables	16,516	13,437
Current portion of self-improvement loans receivable (note 5)	6,306,496	6,271,154
Current portion of distress loans receivable (note 5)	810,348	1,081,866
Current portion of education loans receivable (note 5)	<u>1,857,980</u>	<u>1,907,628</u>
	<u>10,644,754</u>	<u>10,216,469</u>
OFFICE EQUIPMENT , net of accumulated amortization of \$2,218 (2010 - \$1,848)	406	776
SELF-IMPROVEMENT LOANS RECEIVABLE (note 5)	2,534,754	2,405,889
DISTRESS LOANS RECEIVABLE (note 5)	911,803	1,338,486
EDUCATION LOANS RECEIVABLE (note 5)	<u>2,453,612</u>	<u>2,472,937</u>
	<u>5,900,575</u>	<u>6,218,088</u>
TRUST ASSETS		
Deposit with Canadian Forces Central Fund (note 6)	<u>40,655</u>	<u>57,279</u>
	<u>\$ 16,585,984</u>	<u>\$ 16,491,836</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,426	\$ 13,877
TRUST LIABILITIES (note 6)	<u>40,655</u>	<u>57,279</u>
	53,081	71,156
FUND BALANCE	<u>16,532,903</u>	<u>16,420,680</u>
	<u>\$ 16,585,984</u>	<u>\$ 16,491,836</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, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Interest on deposits	\$ 54,295	\$ 28,572
Contributions from levies	296,074	305,826
Interest on loans receivable	643,551	638,573
Donations	22,645	138,878
Contributed services (note 2)	<u>50,206</u>	<u>50,949</u>
	<u>1,066,771</u>	<u>1,162,798</u>
Expenses		
Salaries and employee benefits	297,819	399,715
Grants	236,060	283,195
Bad debts - net of recoveries	361,811	151,005
Contributed services (note 2)	50,206	50,949
Amortization	370	480
Miscellaneous	<u>8,282</u>	<u>9,083</u>
	<u>954,548</u>	<u>894,427</u>
Net revenue	112,223	268,371
Fund balance at beginning of year	<u>16,420,680</u>	<u>16,152,309</u>
Fund balance at end of year	<u>\$ 16,532,903</u>	<u>\$ 16,420,680</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net revenue	\$ 112,223	\$ 268,371
Items not affecting cash -		
Loans written off	151,271	154,419
Amortization	<u>370</u>	<u>480</u>
	263,864	423,270
Changes in level of:		
Contributions and other receivables	(3,079)	2,901
Accounts payable and accrued liabilities	(1,451)	(3,250)
Trust liabilities	<u>(16,624)</u>	<u>7,291</u>
	<u>242,710</u>	<u>430,212</u>
Investing activities		
Self-improvement loans advanced	(9,036,308)	(9,685,238)
Distress loans advanced	(684,881)	(990,518)
Education loans advanced	(2,191,300)	(2,298,000)
Repayment of self-improvement loans	8,788,205	9,019,930
Repayment of distress loans	1,355,214	1,411,484
Repayment of education loans	<u>2,220,766</u>	<u>2,228,307</u>
	<u>451,696</u>	<u>(314,035)</u>
Increase in cash	694,406	116,177
Cash and deposits at beginning of year	<u>999,663</u>	<u>883,486</u>
Cash and deposits at end of year	<u>\$ 1,694,069</u>	<u>\$ 999,663</u>
Cash and deposits consist of:		
Deposits with Canadian Forces Central Fund		
- operating fund	\$ 1,653,414	\$ 942,384
- trust fund	<u>40,655</u>	<u>57,279</u>
	<u>\$ 1,694,069</u>	<u>\$ 999,663</u>

(See accompanying notes)

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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 the Chief of the Defence Staff (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 Director General Personnel and Family Support Services as delegated by the CDS.

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 CFPAF. These contributions are comprised of 0.25% from the 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 are entities also under the authority of the Chief of Defence Staff. These entities provide office accommodation, telephone charges, information technology and human resources to CFPAF. In addition, departmental employees participate in the administration of loan applications, cheque issuance and collection of monies by payroll deductions on behalf of the CFPAF. The fair value of these services has been presented in the financial statements.

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2011

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. FUTURE ACCOUNTING STANDARDS FOR THE NOT-FOR-PROFIT SECTOR

The Accounting Standards Board of the Canadian Institute of Chartered Accountants recently approved a financial reporting framework designed specifically to meet the needs of users of financial statements prepared by not-for-profit organizations. These new standards must be applied by the organization by its December 31, 2012 fiscal year-end. The organization is permitted to adopt these standards earlier, if desired. Not-for-profit organizations are also given the option to adopt International Financial Reporting Standards (IFRS) instead of the new not-for-profit accounting standards.

4. FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position consist of deposit with Canadian Forces Central Fund ("CFCF"), contributions and other receivables, loans receivable and accounts payable and accrued liabilities. Financial instruments, which potentially subject CFPF 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.

CFPF 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. CFPF has credit evaluation, counseling and an approval and monitoring process 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 rate risk is minimal for loans receivable given that the interest rates are fixed by policy. As outlined in note 5, anticipated bad debts of \$431,000 (2010 - \$417,000) 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, 2011

5. LOANS RECEIVABLE

(a) *Self-improvement loans*

Member loans range from \$1,000 to \$5,000. Terms of repayment are up to 30 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Total loans receivable	\$ 8,987,250	\$ 8,803,043	\$ 1,897,151	\$ 2,610,352	\$ 4,421,592	\$ 4,481,565
Allowance for doubtful accounts	<u>(146,000)</u>	<u>(126,000)</u>	<u>(175,000)</u>	<u>(190,000)</u>	<u>(110,000)</u>	<u>(101,000)</u>
	8,841,250	8,677,043	1,722,151	2,420,352	4,311,592	4,380,565
Current portion	<u>6,306,496</u>	<u>6,271,154</u>	<u>810,348</u>	<u>1,081,866</u>	<u>1,857,980</u>	<u>1,907,628</u>
Long-term portion	<u>\$ 2,534,754</u>	<u>\$ 2,405,889</u>	<u>\$ 911,803</u>	<u>\$ 1,338,486</u>	<u>\$ 2,453,612</u>	<u>\$ 2,472,937</u>

CANADIAN FORCES PERSONNEL ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2011

6. TRUST ASSETS AND LIABILITIES

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%. In 2011, this fund and its administration was transferred to Canadian Forces Support Unit Ottawa to better manage the funds under a single authority.

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>2011 Total</u>	<u>2010 Total</u>
Balance at beginning of year	\$ 30,146	\$ 20,919	\$ 6,214	\$ 57,279	\$ 49,988
Deposits	315,063	-	-	315,063	250,142
Interest received	-	476	4	480	476
Disbursements	<u>(325,949)</u>	<u>-</u>	<u>(6,218)</u>	<u>(332,167)</u>	<u>(243,327)</u>
Balance at end of year	<u>\$ 19,260</u>	<u>\$ 21,395</u>	<u>\$ -</u>	<u>\$ 40,655</u>	<u>\$ 57,279</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 \$18,679 (2010 - \$30,236) are included in salaries and employee benefits.

8. CAPITAL DISCLOSURES

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.