

Canadian Forces Grievance Board Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in these statements rests with the management of the Canadian Forces Grievance Board. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Canadian Forces Grievance Board's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Canadian Forces Grievance Board's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Canadian Forces Grievance Board.

The financial statements of the Canadian Forces Grievance Board have not been audited.

Bruno Hamel, Chairperson

Anne Sinclair, Chief Financial Officer

Ottawa

July 21st, 2009

Canadian Forces Grievance Board
Statement of Operations (unaudited)
For the Year Ended March 31
(in dollars)

OPERATING EXPENSES	<u>2009</u>	<u>2008</u>
Salary and employee benefits	4,271,841	4,539,875
Rental of office space and equipment	617,250	608,922
Other professional services	480,915	436,793
Informatics services	231,882	286,268
Accounting and legal services	136,699	149,478
Telecommunication services	101,897	87,985
Training and educational services	75,107	57,481
Travel and relocation	63,306	137,165
Small informatics equipment and furniture	60,344	42,292
Materials and supplies	36,630	22,204
Communication services	29,797	17,480
Amortization of tangible capital assets (note 4)	18,415	21,935
Publishing and printing	9,781	2,291
Postage and freight	8,468	8,299
Repairs	7,639	16,928
Provision for legal claim	4,489	50,000
Protection services	4,145	3,975
Interest	484	916
Total Expenses	6,159,089	6,490,287
 REVENUES		
Miscellaneous Revenues	249	5
Net Cost of Operations	6,158,840	6,490,282

(The accompanying notes form an integral part of these financial statements.)

Statement of Financial Position (unaudited)
At March 31
(in dollars)

ASSETS	<u>2009</u>	<u>2008</u>
Financial assets		
Accounts receivable and advances (note 6)	34,598	44,093
	<hr/>	<hr/>
Non-financial assets		
Tangible capital assets (note 4)	143,709	23,027
	<hr/>	<hr/>
Total	<u>178,307</u>	<u>67,120</u>
LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (note 6)	533,473	402,706
Employee severance benefits (note 7)	692,809	692,421
Vacation pay	108,385	103,803
Contingent liabilities (note 8)	-	50,000
	<hr/>	<hr/>
Total Liabilities	1,334,667	1,248,930
Equity of Canada		
	<hr/>	<hr/>
	(1,156,360)	(1,181,810)
Total	<u>178,307</u>	<u>67,120</u>

Contractual obligations (Note 9)

(The accompanying notes form an integral part of these financial statements.)

Canadian Forces Grievance Board
Statement of Equity of Canada (unaudited)
At March 31
(in dollars)

	<u>2009</u>	<u>2008</u>
Equity of Canada, beginning of year	(1,181,810)	(1,259,398)
Net cost of operations	(6,158,840)	(6,490,282)
Current year appropriations used (note 3)	6,034,721	6,222,018
Revenue not available for spending	(249)	(5)
Change in net position in the Consolidated Revenue Fund (note 3)	(141,749)	50,778
Services received without charge from other government departments (note 10)	291,567	295,079
	<hr/>	<hr/>
Equity of Canada, end of year	<u>(1,156,360)</u>	<u>(1,181,810)</u>

(The accompanying notes form an integral part of these financial statements.)

Canadian Forces Grievance Board
Statement of Cash Flow (unaudited)
For the Year Ended March 31
(in dollars)

	<u>2009</u>	<u>2008</u>
Operating Activities		
Net Cost of Operations	6,158,840	6,490,282
Non-cash items included in Net Results		
Amortization of tangible capital assets	(18,415)	(21,935)
Services provided without charges from other government department	(291,567)	(295,079)
Variation in Statement of Financial Position		
increase in accounts payables and accrued liabilities	(85,737)	93,236
Increase (decrease) in receivables and advances	(9,495)	(7,252)
	5,753,626	6,259,252
Cash used by operating activities		
Capital Investment Activities		
Acquisitions of capital assets	139,097	13,540
	139,097	13,540
Financing Activities		
Net cash provided by Government of Canada	5,892,723	6,272,792
	5,892,723	6,272,792

(The accompanying notes form an integral part of these financial statements.)

Canadian Forces Grievance Board Notes to the Financial Statements (unaudited)

1. Authority and Objectives

The Canadian Forces Grievance Board (CFGB) is an independent, arms-length organization that was created through amendments to the *National Defence Act* (NDA) approved by Parliament on December 10, 1998. The amendments that were made to the NDA were aimed at modernizing and strengthening the military justice system, making the whole grievance review process simpler and shorter for members of the Canadian Forces. The CFGB's mandate is to review grievances in order to render fair and impartial findings and recommendations in a timely and informal manner to the Chief of Defence Staff and the grievor.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

- (a) Parliamentary appropriations** – the Canadian Forces Grievance Board is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the CFGB do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position, are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.
- (b) Net Cash Provided by Government** - The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- (c) Change in net position in the Consolidated Revenue Fund** is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non spendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- (d) Revenues:**

 - Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.

Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)

2. Summary of Significant Accounting Policies - continued

- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Revenues that have been received but not yet earned are recorded as deferred revenues.

(e) Expenses — Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment;
- Services provided without charge by other government departments for the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.
- ii. Severance Benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Tangible capital assets – All tangible assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Board does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

**Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)**

2. Summary of Significant Accounting Policies - continued

Tangible capital assets consist of informatics hardware, purchased or developed software, other equipment and amortization is done on a straight-line basis over its estimated useful life of 3 years.

- (j) *Measurement uncertainty* - The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Department receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:

	<u>2009</u>	<u>2008</u>
	<i>(in dollars)</i>	
Net Cost of Operations	6,158,840	6,490,282
Adjustments for items affecting net cost of operations but not affecting appropriations		
Add (Less):		
Services received without charge	(291,567)	(295,079)
Employee severance benefits	(388)	(1,380)
Amortization of tangible capital assets	(18,415)	(21,935)
Vacation pay and compensatory leave	(4,582)	62,284
Revenue not available for spending	249	5
Refunds of prior years expenditures	1,487	24,301
Other adjustments	50,000	(50,000)
	<hr/> 5,895,624	<hr/> 6,208,478
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add (Less):		
Acquisitions of tangible capital assets	<hr/> 139,097	<hr/> 13,540
Current year appropriations used	<hr/> 6,034,721	<hr/> 6,222,018

**Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)**

3. Parliamentary Appropriations – continued

(b) Appropriations provided and used

	<u>2009</u>	<u>2008</u>
	<i>(in dollars)</i>	
Vote 15 - Operating expenditures	6,433,323	6,158,459
Statutory amounts	545,107	617,129
Less:		
Available for use in future years	-	-
Lapsed appropriations: Operating	(943,709)	(553,570)
Current year appropriation used	6,034,721	6,222,018

(c) Reconciliation of net cash provided by Government to current year appropriations used

	<u>2009</u>	<u>2008</u>
	<i>(in dollars)</i>	
Net cash provided by Government	5,892,723	6,272,791
Revenue not available for spending	249	5
Refund of prior year expenditures	1,487	24,301
Change in net position in the Consolidated Revenue Fund		
Variation in advances	(4,503)	2,983
Variation in accounts receivable	13,997	4,269
Variation in accounts payable – others	104,680	(137,914)
Variation in accounts payable – OGD	(75,954)	35,398
Variation in accrued salaries	102,041	20,778
Variation in cash position	-	(593)
	141,749	(50,778)
Current year appropriation used	6,034,721	6,222,018

4. Tangible Capital Assets

(in dollars)

COST				ACCUMULATED AMORTIZATION			2009	2008
Capital asset class	Opening balance	Acquisitions	Closing balance	Opening balance	Amortization	Closing balance	Net book value	Net book value
Machinery and equipment	262,108	139,097	401,205	239,081	18,415	257,495	143,709	23,027

Amortization expense for the year ended March 31, 2009 is \$18,415 (2008 - \$21,935).

Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)

5. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

	<u>2009</u>	<u>2008</u>
	<i>(in dollars)</i>	
Receivables from other Federal Government departments and agencies	26,892	40,890
Employee advances	7,706	3,203
Total	<u>34,598</u>	<u>44,093</u>

6. Accounts Payable and Accrued Liabilities

The following table presents details of accounts receivable and advances:

	<u>2009</u>	<u>2008</u>
	<i>(in dollars)</i>	
Accrued salaries and wages	332,642	230,600
Accounts payable – External parties	179,736	75,056
Accounts payable – Other government departments	21,095	97,050
Total	<u>533,473</u>	<u>402,706</u>

7. Employee Benefits

- (a) Pension benefits: The Board's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension plans benefits and they are indexed by inflation.

Both the employees and the Board contribute to the cost of the Plan. The 2008-09 expense amounts to \$393,568 (\$449,887 in 2007-08), which represents approximately 2.0 times (2.1 in 2007-08) the contributions by employees.

The Board's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- (b) Severance benefits: The Board provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

**Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)**

	2009	2008
	<i>(in dollars)</i>	
Accrued benefit obligation, beginning of year	692,421	691,041
Expense for the year	388	1,380
Accrued benefit obligation, end of year	692,809	692,421

8. Contingent liabilities

Claims and litigation

Claims have been made against the Board in the normal course of operations. Legal proceedings for claims totalling approximately \$40,000 (\$50,000 in 2008) were still pending at March 31, 2009. Some potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

9. Contractual Obligations

The nature of the Board's activities can result in some large multi-year contracts and obligations whereby the Board will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

<i>(in dollars)</i>	2010
Accommodation	590,638

10. Related party transactions

The Board is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Board enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Board received services which were obtained without charge from other Government departments as presented below:

Services provided without charge

During the year the Board received without charge from other department the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Board's Statement of Operations as follows:

Canadian Forces Grievance Board
Notes to the Financial Statements (unaudited)

10. Related party transactions - continued

	<u>2009</u>	(in dollars)	<u>2008</u>
Employers contribution to the health and dental insurance plans	291,567		295,079

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included as an expense in the department's Statement of Operations.