

## **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, 2010 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.

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Bruno Hamel, Chairperson

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Anne Sinclair, Chief Financial Officer

Ottawa

August 16<sup>th</sup>, 2010

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

<b>OPERATING EXPENSES</b>	<b>2010</b>		<b>2009</b>	
	Review canadian forces grievances	Internal services	Total	Total
Salary and employee benefits	2,353,561	1,923,001	4,276,562	4,271,841
Rental of office space and equipment	425	572,365	572,790	617,250
Other professional services	141,707	272,212	413,919	480,915
Informatics services	12,381	169,716	182,097	231,882
Training and educational services	38,697	82,412	121,109	75,107
Accounting and legal services	18,750	87,750	106,500	136,699
Telecommunication services	-	85,861	85,861	101,897
Amortization of tangible capital assets (note 4)	-	46,797	46,797	18,415
Travel and relocation	38,031	6,011	44,042	63,306
Communication services	-	30,505	30,505	29,797
Small informatics equipment and furniture	-	30,017	30,017	60,344
Repairs	-	24,929	24,929	7,639
Materials and supplies	4,978	16,249	21,227	36,630
Postage and freight	-	7,241	7,241	8,468
Publishing and printing	(197)	4,486	4,289	9,781
Provision for legal claim	-	-	-	4,489
Protection services	-	4,217	4,217	4,145
Interest	-	1	1	484
<b>Total Expenses</b>	<b>2,608,332</b>	<b>3,363,770</b>	<b>5,972,103</b>	<b>6,159,089</b>
 <b>REVENUES</b>				
Miscellaneous Revenues	-	337	337	249
<b>Net Cost of Operations</b>	<b>2,608,332</b>	<b>3,363,433</b>	<b>5,971,766</b>	<b>6,158,840</b>

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

**Canadian Forces Grievance Board**  
**Statement of Financial Position (unaudited)**

At March 31  
(in dollars)

<b>ASSETS</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Financial assets</b>		
Accounts receivable and advances (note 5)	13,840	34,598
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	257,595	143,709
<b>Total</b>	<b><u>271,435</u></b>	<b><u>178,307</u></b>
 <b>LIABILITIES</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 6)	464,467	533,473
Employee severance benefits (note 7)	841,136	692,809
Vacation pay	105,109	108,385
<b>Total Liabilities</b>	<b>1,410,713</b>	<b>1,334,667</b>
 <b>Equity of Canada</b>	 <b>(1,139,278)</b>	 <b>(1,156,360)</b>
<b>Total</b>	<b><u>271,435</u></b>	<b><u>178,307</u></b>

*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>2010</u>	<u>2009</u>
<b>Equity of Canada, beginning of year</b>	(1,156,360)	(1,181,810)
Net cost of operations	(5,971,766)	(6,158,840)
Current year appropriations used (Note 3)	5,664,954	6,034,721
Revenue not available for spending	(10)	(249)
Proceeds from disposal of surplus crown assets	(327)	-
Change in net position in the Consolidated Revenue Fund (Note 3)	45,253	(141,749)
Services received without charge from other government departments (Note 10)	278,979	291,567
	(1,139,278)	(1,156,360)
<b>Equity of Canada, end of year</b>	<b>(1,139,278)</b>	<b>(1,156,360)</b>

*(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>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
<b>Net Cost of Operations</b>	5,971,766	6,158,840
<b>Non-cash items included in Net Results</b>		
Amortization of tangible capital assets	(46,797)	(18,415)
Services provided without charges from other government department	(278,979)	(291,567)
Provision for severance benefits	(148,327)	(388)
Adjustment to vacation pay	3,276	(4,582)
Adjustment to contingent liabilities	-	50,000
<b>Variation in Statement of Financial Position</b>		
Decrease (increase) in accounts payables and accrued liabilities	69,005	(130,767)
(Decrease) in receivables and advances	(20,758)	(9,495)
	5,549,187	5,753,626
<b>Cash used by operating activities</b>		
<b>Capital Investment Activities</b>		
Acquisitions of capital assets	160,683	139,097
	160,683	139,097
<b>Financing Activities</b>		
Net cash provided by Government of Canada	5,709,869	5,892,723
	5,709,869	5,892,723

*(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**

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Informatics Hardware	3 years
Informatics Software	3 years
Other Equipment	10 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 Board 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 Board 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:**

	<b>2010</b>	<b>2009</b>
	<i>(in dollars)</i>	
Net Cost of Operations	5,971,766	6,158,840
Adjustments for items affecting net cost of operations but not affecting appropriations		
Add (Less):		
Services received without charge	(278,979)	(291,567)
Employee severance benefits	(148,327)	(388)
Amortization of tangible capital assets	(46,797)	(18,415)
Vacation pay and compensatory leave	3,276	(4,582)
Revenue not available for spending	10	249
Proceeds from disposal of surplus crown assets	327	-
Refunds of prior years expenditures	2,995	1,487
Other adjustments	-	50,000
	<u>5,504,271</u>	<u>5,895,624</u>
Add (Less):		
Acquisitions of tangible capital assets	160,683	139,097
Current year appropriations used	<u>5,664,954</u>	<u>6,034,721</u>

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

**3. Parliamentary Appropriations – continued**

**(b) Appropriations provided and used**

	<b>2010</b>	<b>2009</b>
	<i>(in dollars)</i>	
Vote 15 - Operating expenditures	6,606,337	6,433,323
Statutory amounts	570,977	545,107
Less:		
Appropriations available for future years	(327)	-
Lapsed : Operating	(1,512,033)	(943,709)
Current year appropriation used	<u>5,664,954</u>	<u>6,034,721</u>

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

	<b>2010</b>	<b>2009</b>
	<i>(in dollars)</i>	
Net cash provided by Government	5,709,869	5,892,723
Revenue not available for spending	10	249
Proceeds from disposal of surplus crown assets	327	-
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	20,758	9,494
Variation in accounts payable – others	61,820	104,680
Variation in accounts payable – OGD	30,411	(75,954)
Variation in accrued salaries	(161,237)	102,041
Refund of prior year expenditures	2,995	1,487
	<u>(45,253)</u>	<u>141,748</u>
<b>Current year appropriation used</b>	<b><u>5,664,954</u></b>	<b><u>6,034,721</u></b>

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

**4. Tangible Capital Assets**

(in dollars)

<b>Cost</b>				<b>Accumulated amortization</b>			<b>Net book value</b>	
<b>Capital asset class</b>	<b>Opening balance</b>	<b>Acquisitions</b>	<b>Closing balance</b>	<b>Opening balance</b>	<b>Amortization</b>	<b>Closing balance</b>	<b>2010</b>	<b>2009</b>
Informatics Hardware	344,542	160,683	505,225	257,496	36,849	294,345	210,880	87,046
Informatics Software	17,262		17,262		5,754	5,754	11,508	17,262
Other Equipment	39,401		39,401		4,194	4,194	35,207	39,401
<b>Total</b>	<b>401,205</b>	<b>160,683</b>	<b>561,888</b>	<b>257,496</b>	<b>46,797</b>	<b>304,293</b>	<b>257,595</b>	<b>143,709</b>

Amortization expense for the year ended March 31, 2010 is \$46,797 (2009 - \$18,415).

**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:

	<b>2010</b>	<b>2009</b>
	<i>(in dollars)</i>	
Receivables from other Federal Government departments and agencies	13,340	26,892
Employee advances	500	7,706
<b>Total</b>	<b>13,840</b>	<b>34,598</b>

**6. Accounts Payable and Accrued Liabilities**

The following table presents details of accounts payable and accrued liabilities:

	<b>2010</b>	<b>2009</b>
	<i>(in dollars)</i>	
Accrued salaries and wages	171,405	332,642
Accounts payable – External parties	241,556	179,736
Accounts payable – Other government departments	51,506	21,095
<b>Total</b>	<b>464,467</b>	<b>533,473</b>

**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 of 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 to inflation.

Both the employees and the Board contribute to the cost of the Plan. The 2009-10 expense amounts to \$411,855 (\$393,568 in 2008-09), which represents approximately 1.9 times (2.0 in 2008-09) 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.

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

**7. Employee Benefits – continued**

- (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:

	<u>2010</u>	<u>2009</u>
	<i>(in dollars)</i>	
Accrued benefit obligation, beginning of year	692,809	692,421
Expense for the year	148,327	388
Accrued benefit obligation, end of year	841,136	692,809

**8. Contingent liabilities**

*Claims and litigation*

Claims have been made against the Board in the normal course of operations. No legal proceedings for claims (\$40,000 in 2009) were still pending at March 31, 2010. 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:

(in dollars)	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Accommodation	580,519	586,611	592,956	599,301	605,900

**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:

	<u>2010</u>	<u>2009</u>
	<i>(in dollars)</i>	
Employers contribution to the health and dental insurance plans	278,979	291,567

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

***10. Related party transactions – continued***

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.