

FINANCIAL STATEMENTS
For
NPF EMPLOYEE GROUP INSURANCE PLAN
For the year ended
MARCH 31, 2008

AUDITORS' REPORT

To the Non-Public Property Board

NPF EMPLOYEE GROUP INSURANCE PLAN

We have audited the statement of financial position of the NPF Employee Group Insurance Plan as at March 31, 2008 and the statement of operations and reserves available for future claims for the year then ended. These financial statements are the responsibility of the Plan'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 Plan as at March 31, 2008 and the changes in its reserves available for future claims and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 27, 2008.

NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ 923,110	\$ 2,678,231
Accounts receivable	<u>9,075</u>	<u>77,329</u>
	<u>\$ 932,185</u>	<u>\$ 2,755,560</u>
<u>LIABILITIES AND RESERVES AVAILABLE FOR FUTURE CLAIMS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 149,285	\$ 827,724
Group life waiver (note 6)	48,524	64,689
Claims incurred but not reported	<u>235,412</u>	<u>219,876</u>
	433,221	1,112,289
RESERVES AVAILABLE FOR FUTURE CLAIMS (note 7)	<u>498,964</u>	<u>1,643,271</u>
	<u>\$ 932,185</u>	<u>\$ 2,755,560</u>

Signed:

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(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF OPERATIONS AND RESERVES AVAILABLE FOR FUTURE CLAIMS
YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
Income		
Employee/employer contributions	\$ 4,790,793	\$ 3,643,662
Interest and other income	126,716	184,534
Employer contributions for Government Employees Compensation Act	<u>141,000</u>	<u>141,000</u>
	<u>5,058,509</u>	<u>3,969,196</u>
Expenses		
Premiums paid	5,655,973	3,999,014
Government Employees Compensation Act	509,165	404,086
Professional fees and general	22,142	22,795
Claims incurred but not reported	<u>15,536</u>	<u>166,314</u>
	<u>6,202,816</u>	<u>4,592,209</u>
Net expense	(1,144,307)	(623,013)
Reserves available for future claims at beginning of year	<u>1,643,271</u>	<u>2,266,284</u>
Reserves available for future claims at end of year	<u>\$ 498,964</u>	<u>\$ 1,643,271</u>

(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

1. DESCRIPTION OF PLAN

The Non-Public Funds (NPF) Employee Group Insurance Plan provides health, dental, long-term disability and employer sponsored life insurance to full-time NPF/Canadian Forces Personnel Support Agency ("CFPSA(NPF)") employees. Full-time employees who have completed three months employment are required to participate except where exemptions are specified. The Plan is funded by employee and employer contributions.

All rights with respect to a covered person are governed solely by the group contracts issued by Great-West Life Assurance Company (Great-West) to the Chief of the Defence Staff operating under section 38 of the National Defence Act. Great-West's services with respect to hospital, major medical and dental benefits are provided on an administrative basis only. All other benefits are underwritten and insured by Great-West except for sick leave benefits which are self insured by CFPSA(NPF).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee and employer contributions (Premiums)

Employee and employer contributions are the amount of premiums estimated and requested by the insurer to meet cash expenses anticipated to be incurred in the upcoming twelve month period. The premiums include amounts collected on an experience rated basis to reimburse the insurer for prior years' deficits, if applicable, and those to fund current and subsequent years' deficits. These premiums are paid in advance for the following month.

Claims incurred but not reported

The group Plan does not include amount for claims incurred by policyholders but not reported to the insurer by the end of the policy period. These amounts, on termination, are the direct responsibility of the plan. This provision is estimated by an actuarial formula on an annual basis.

Government Employees Compensation Act (GECA)

Effective January 1, 1999, the employer contributions for GECA have been reduced until the surplus is at a reasonable level.

Services provided without charge

Canadian Forces Personnel Support Agency provides administrative services to the Plan. Because of the difficulty of determining the fair market value, these services are not recognized in the financial statements.

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.

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NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2008

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the Plan 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 Plan does not have investments in marketable securities, derivatives or other complex financial instruments, the adoption of these new standards did not significantly affect the Plan'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 Plan'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 Plan is currently assessing the impact of these new accounting standards on its financial statements.

5. FINANCIAL INSTRUMENTS

The Plan's financial instruments consist of deposit with Canadian Forces Central Fund, accounts receivable and accounts payable and accrued liabilities. The fair value of these amounts approximates their carrying values due to their short-term nature.

6. GROUP LIFE WAIVER

In 1987 a decision was made to discontinue the Premium Waiver provision of the life insurance policy. This provision was replaced by an agreement whereby the CFPSA (NPF) would continue to pay premiums on behalf of these members. CFPSA (NPF) established a provision to protect the Agency against the increased risk of insurance payouts on this group of members based upon their increased mortality and morbidity rates. This agreement covers all employees who commenced LTD benefits between March 1, 1987 and February 29, 2000. The Premium Waiver clause was reinstated effective March 1, 2000 and will eventually be eliminated as these members retire or terminate LTD benefits.

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NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2008

7. RESERVES AVAILABLE FOR FUTURE CLAIMS

The reserves available for future claims are comprised of the following:

	<u>2008</u>	<u>2007</u>
Reserve LTD 1 (Non Taxable)	\$ 163,451	\$ 163,451
Reserve GECA	653,935	958,941
Reserve Dental	(206,228)	(153,377)
Reserve Medical	(310,942)	(226,940)
Reserve LTD 2 (Taxable)	110,431	692,929
Reserve Group Life	136,841	272,956
Group Life Waiver	<u>(48,524)</u>	<u>(64,689)</u>
Total	<u>\$ 498,964</u>	<u>\$ 1,643,271</u>

Management is currently reviewing the anticipated level of premiums for the 2009 fiscal year year-end such that the employee and employer contributions can be adjusted accordingly to ensure that the Plan will be funded adequately for fiscal 2009. Furthermore, consideration is also being given to have additional contributions charged to fund the deficits that currently exist in the reserve for dental and medical.

8. STATEMENT OF CASH FLOWS

A statement of cash flows has not been provided as information about significant funding and investing activities is readily available from other financial statements.