

Support Our Troops Funds

Financial statements

March 31, 2020



Independent auditor's report

To the Directors of the Non-Public Property Board of
Support Our Troops Funds

Opinion

We have audited the accompanying financial statements of Support Our Troops Funds ["the Organization"], which comprise the statement of financial position as at March 31, 2020 and the statement of operations and changes in net assets and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for audit of the financial statement* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter – Change in auditor

The financial statements of the Organization for the year ended March 31, 2019, were audited by another auditor who expressed a qualified opinion on those statements on November 25, 2019. The basis for the qualified opinion was a result of the completeness of the revenue from donations not being susceptible to satisfactory audit verification in the opinion of the predecessor auditor.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Canada
October 26, 2020

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Support Our Troops Funds

Statement of financial position

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	78,930	90,583
Due from Canadian Forces Central Fund <i>[note 7]</i>	20,060,530	19,859,912
Inventory	11,250	20,466
Current portion of small-preventive loans receivable <i>[note 3]</i>	2,087,387	2,227,696
Current portion of distress loans receivable <i>[note 3]</i>	565,023	657,626
Current portion of education loans receivable <i>[note 3]</i>	58,674	52,291
Total current assets	22,861,794	22,908,574
Small-preventive loans receivable <i>[note 3]</i>	949,526	1,059,721
Distress loans receivable <i>[note 3]</i>	925,872	904,479
Education loans receivable <i>[note 3]</i>	83,224	64,151
Intangible assets <i>[note 5]</i>	382,096	241,048
	25,202,512	25,177,973
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities <i>[note 8]</i>	9,415	4,305
Distress loan liabilities and grant liabilities <i>[note 4]</i>	253,991	196,629
Total liabilities	263,406	200,934
Net assets		
Unrestricted – Grants <i>[note 2 and schedule A]</i>	4,669,953	5,346,328
Unrestricted – Support Our Troops Loan Program <i>[note 2 and schedule A]</i>	16,708,960	16,708,960
Externally restricted – Grants <i>[note 2]</i>	2,514,675	2,372,590
Externally restricted – Endowments <i>[note 6]</i>	1,045,518	549,161
Total net assets	24,939,106	24,977,039
	25,202,512	25,177,973

See accompanying notes

Approved on behalf of the Non-Public Property Board:

 Chief Financial Officer

Support Our Troops Funds

Statement of operations

Year ended March 31

	2020			2019	
	Externally restricted – Unrestricted	Grants	Externally restricted – Endowments	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	2,791,601	761,234	500,000	4,052,835	2,947,557
Interest on deposits	—	—	—	—	1,047,735
Contributions from levies	282,318	—	—	282,318	283,617
Interest on loans receivable	232,542	—	—	232,542	233,257
Other	340,321	—	—	340,321	326,367
	3,646,782	761,234	500,000	4,908,016	4,838,533
Expense					
Program	2,919,109	834,721	3,643	3,757,473	3,168,200
Fundraising	866,945	—	—	866,945	616,810
Administration and other	288,094	33,437	—	321,531	310,050
	4,074,148	868,158	3,643	4,945,949	4,095,060
Net revenue (expense) for the year	(427,366)	(106,924)	496,357	(37,933)	743,473

See accompanying notes

Support Our Troops Funds

Statement of changes in net assets

Year ended March 31

	Balance, beginning of year \$	Net revenue (expense) for the year \$	Transfers \$	Balance, end of year \$
Unrestricted				
Unrestricted – Grants	5,346,328	(485,743)	(190,632)	4,669,953
Unrestricted – Support Our Troops Loan Program	16,708,960	58,377	(58,377)	16,708,960
Externally restricted – Grants	2,372,590	(106,924)	249,009	2,514,675
Externally restricted – Endowments	549,161	496,357	—	1,045,518
	24,977,039	(37,933)	—	24,939,106

See accompanying notes

Support Our Troops Funds

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Net revenue (expense) for the year	(37,933)	743,473
Items not affecting cash		
Amortization of intangible assets	24,897	21,497
Provision (recovery) on loans	203,388	(96,000)
Net change in non-cash working capital items		
Advances to Canadian Forces Central Fund	(200,618)	(640,211)
Inventory	9,216	17,717
Accounts payable and accrued liabilities	5,110	(545)
Distress loan liabilities and grant liabilities	57,362	58,419
Cash provided by operating activities	61,422	104,350
Investing activities		
Purchase of intangible assets	(165,945)	(172,975)
Small-preventive loans advanced	(3,145,500)	(3,341,901)
Distress loans advanced	(953,192)	(889,003)
Education loans advanced	(160,191)	(121,806)
Principal repayment of small-preventive loans	3,293,998	3,265,350
Principal repayment of distress loans	979,732	1,017,279
Principal repayment of education loans	78,023	145,194
Cash used in investing activities	(73,075)	(97,862)
Net increase (decrease) in cash during the year	(11,653)	6,488
Cash and cash equivalents, beginning of year	90,583	84,095
Cash and cash equivalents, end of year	78,930	90,583

See accompanying notes

Support Our Troops Funds

Notes to financial statements

March 31, 2020

1. Authority, organization and purpose

Support Our Troops Funds [the "Organization"] is the official charitable cause of the Canadian Armed Forces ["CAF"] and a qualified donee of Her Majesty in Right of Canada. It exists to help CAF members and their families meet unique challenges and individual circumstances, most often associated with the demands of military service. The purpose of Support Our Troops Funds is to provide financial assistance to serving or former members of the CAF and their dependants when warranted by distress or other deserving circumstances. These objectives are achieved by means of counselling and financial assistance in the form of self-improvement loans, distress loans, education loans and grants.

Non-Public Property ["NPP"] is defined under the *National Defense Act*, consists of money and property contributed by Canadian Forces members. The Organization operates under the authority of the Chief of the Defence Staff ["CDS"] in his NPP capacity.

In common with other non-public funds, the Organization is exempt from paying income tax under Part I of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

Resources received and expended are classified for accounting and reporting purposes according to objectives specified externally by donors or internally by the CDS.

Unrestricted – General

Grants – Provides emergency financial support to members, veterans and their respective families in financial distress and/or hardship. Other initiatives include: scholarships, camp grants, special needs grants, OSISS retreats, the Christmas Hamper Program and the provision of the basic comforts of home to CAF members hospitalized for more than 48 hours. The Support Our Troops Funds also benefit from various NPP fundraising events.

Support Our Troops Loan Program – The purpose of the Support Our Troops Loan Program is to provide financial support through low interest loans to members, veterans and their respective families. Available loan programs include: The Small-preventive Loan, the Distress Loan and the Education Loan [note 4]. The loan program is protected at a value of \$16,708,960.

Externally restricted – Grants

Soldier On – Provides opportunities for ill and injured CAF members and veterans to adopt an active and healthy lifestyle through participation in recreational, sporting and other physically challenging activities. Support from the fund is for those not covered through public funds. Examples of the type of expenditures include grants for specialized equipment and travel/participation in events.

Support Our Troops Funds

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Boomer's Legacy – The mission of Boomer's Legacy is "Helping Our Troops Help Others." This program is used to fund projects identified by CAF members, inside or outside of Canada, that would otherwise be unaddressed, in order to provide an opportunity for goodwill and a positive view of the CAF members in the eyes of the local population being assisted through the project.

Support Our Troops Restricted – Funds are used to support: moms and families, camps, the Edmonton MFRC, special needs, vehicle purchases, and region-specific grants

Licence Plate Program – Funds are received from the sale of specialty Support Our Troops Licence Plates from the provinces of Alberta, Manitoba and Saskatchewan and used within each province.

Externally restricted – Endowments

Cpl Ronald MacDonald Trust – 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, established on January 1, 1977, is to assist in alleviating financial problems incurred by members of the CAF and their families. Grants are paid out of the Memorial Trust Fund to a maximum of \$500 per case. The original contribution of \$20,000 is to remain in perpetuity.

Rocky Mountain Rangers Museum and Archives – Col WC Robertson, MC, OMM, CD, originally donated \$20,000 to the Rocky Mountain Rangers Museum and Archives to support an annual scholarship(s) for members in good standing of The Rocky Mountain Ranger(s), a Canadian Forces Reserve Regiment. Bursaries paid out of the trust fund will be no less than \$300. The original contribution of \$20,000 is to remain in perpetuity.

The George and Helen Vari Foundation Canadian Armed Forces Education Fund – The George and Helen Vari Foundation established an Education Fund to support education for active members of the CAF. Contributions are to remain in perpetuity. Disbursements from the annual interest are to be divided as follows: \$3,000 to the Toronto Scottish Regiment; and the remaining to be used for education for active members of the CAF.

Loans receivable

Loans receivable are measured at amortized cost using the effective interest rate method less provision for loan losses.

Intangible assets

Intangible assets are initially recorded at cost and are then amortized on a straight-line basis at the following annual rates:

Websites	24% per annum
LMS system	24% per annum

Support Our Troops Funds

Notes to financial statements

March 31, 2020

Revenue recognition

Externally restricted contributions [including donations and sponsorships] are recognized as revenue of the appropriate externally restricted fund and unrestricted contributions are recognized as revenue of the appropriate unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions received that relate to a future year are deferred and recorded as revenue in the year to which they relate.

Contributions from levies includes contributions from Service Income Security Insurance Financial Services ["SISIP Financial"] and Canadian Forces Central Fund ["CFCF"]. SISIP Financial provides an annual contribution of \$200,000 towards welfare programs under Support Our Troops Funds. Contributions from CFCF are recorded monthly in accordance with the January 2004 agreement between CFCF and Support Our Troops Funds. These contributions are comprised of 0.25% from the Canadian Forces Bases/Wings/Unit Funds and Messes retail sales.

Donations in-kind are recorded at their fair values in the year received or receivable.

Grants

Grants are recorded as an expense when paid or when conversions of loans to grants are approved by the Support Our Troops Funds manager.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. The estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period that they become known.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in net revenue. The previously recognized impairment loss may subsequently be reversed to a maximum of the amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

The carrying amount of the financial asset or liability is adjusted by the transaction costs, which are recognized in excess (deficiency) of revenue over expenses using the straight-line method.

New accounting standards

During the year, the Organization adopted the new accounting standard Section 4434, *Intangible Capital Assets*, as of April 1, 2019. Section 4434, *Intangible Capital Assets*, replaces the previous Section 4432, *Intangible Capital Assets*, and provides additional guidance on contributed assets and the write-down (partial impairment) of assets. The changes did not have any impact on these financial statements.

Support Our Troops Funds

Notes to financial statements

March 31, 2020

3. Loans receivable

Small-preventive loans

Member loans range from \$1,000 to \$5,000 [2019 – \$1,000 to \$5,000]. Terms of repayment are up to 30 months [2019 – 30 months] and bear an annual interest rate of 5.50% [2019 – 5.5%].

Distress loans

Individual loans of up to \$25,000 [2019 - \$25,000] may be granted with payment terms extending to five years [2019 – five years] and bear an annual interest rate of 2.00% [2019 – 2.00%].

Education loans

Applicants may request a maximum of \$5,000 per student [2019 – \$5,000] with repayment over 12, 24, 36 or 48 months at a fixed annual interest rate of 3.45% [2019 – 3.45%]. The lifetime maximum per student is \$20,000 [2019 – \$20,000].

Loans receivable are comprised of the following.

	Small-preventive		Distress		Education	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Loans receivable	3,180,913	3,426,417	1,762,895	1,858,105	198,898	121,442
Loan loss provision	(144,000)	(139,000)	(272,000)	(296,000)	(57,000)	(5,000)
	3,036,913	3,287,417	1,490,895	1,562,105	141,898	116,442
Less: Current portion	2,087,387	2,227,696	565,023	657,626	58,674	52,291
Long-term portion	949,526	1,059,721	925,872	904,479	83,224	64,151

Support Our Troops Funds does not require collateral of other security to support loans advances to serving and former members of the CAF. All of the loan repayment programs are either by monthly automatic deductions from payroll through the pay allotment system or by monthly pre-authorized debit.

4. Distress loan liabilities and grant liabilities

Support Our Troops Funds administers the Distress Fund, which 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 Support Our Troops Funds and payments are distributed on receipt of invoices or supporting documents.

	2020	2019
	\$	\$
Balance, beginning of year	196,629	138,210
Receipts	1,033,018	1,206,415
Disbursements	(975,656)	(1,147,996)
Balance, end of year	253,991	196,629

Support Our Troops Funds

Notes to financial statements

March 31, 2020

5. Intangible assets

Intangible assets consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Website	262,545	42,993	219,552	241,048
LMS system	165,944	3,400	162,544	—
	428,489	46,393	382,096	241,048

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Organization's ability to generate economic benefit. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

6. Net assets externally restricted – Endowments

The following is a summary of endowment movements for the year.

	Balance, beginning of year	Donations	Expense	Balance, end of year
	\$	\$	\$	\$
Cpl Ronald MacDonald Trust	26,529	—	1,500	25,029
Rocky Mountain Rangers Museum and Archives	20,282	—	—	20,282
The George and Helen Vari Foundation Canadian Armed Forces Education Fund	502,350	500,000	2,143	1,000,207
	549,161	500,000	3,643	1,045,518

7. Due from Canadian Forces Central Fund

Non-public property ["NPP"], as defined by the National Defence Act, consists of money and property contributed by Canadian Forces members. Among the entities that operate under the authority of the CDS in his NPP capacity are the Organization, CFMWS and Canadian Forces Central Fund ["CFCF"]. The amount 'Due from Canadian Forces Central Fund' of \$20,060,530 [2019 - \$19,859,912] represents Support Our Troops share of an internal Consolidated Bank Account ["CBA"] administered by CFCF. The amount has no specific terms of repayment and is interest bearing, receiving the CFCF rate of return less 0.5%, 0% for 2020 [2019 – 6.1%].

8. Government remittances

Government remittances of \$nil [2019 – nil] are included in accounts payable and accrued liabilities.

Support Our Troops Funds

Notes to financial statements

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9. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at March 31, 2020.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Organization is exposed to credit risk on the loans receivable. The Organization determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Liquidity risk

Liquidity risk is the risk the Organization will have difficulty in meeting obligations associated with financial liabilities, which include accounts payable and accrued liabilities and the distress loan or grant liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. The Campus believes that its recurring financial resources are adequate to fulfill its obligations.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

11. COVID-19 pandemic

Beginning March 2020, the outbreak of the Coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, the possibility of lower donation revenue and increased loan defaults exists for the Organization, however it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Organization in current and future periods.

Schedule A – Revenue and expense and changes in net assets

Year ended March 31

	Unrestricted			Externally restricted – Grants					Externally restricted –	2020	2019
	Support Our Troops Grants	Loan Program	Total	Boomer's Legacy	Support Our Troops Restricted	Soldier On	License Plate Program	Total	Endowments Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Interest on deposits	—	—	—	—	—	—	—	—	—	—	1,047,735
Contributions from levies [note 2]	282,318	—	282,318	—	—	—	—	—	—	282,318	283,617
Interest on loans receivable	—	232,542	232,542	—	—	—	—	—	—	232,542	233,257
Program rebates	65,744	—	65,744	—	—	—	—	—	—	65,744	78,996
Merchandise sales	6,863	—	6,863	—	—	—	—	—	—	6,863	5,952
Partnerships	710,599	—	710,599	—	39,822	—	242,634	282,456	—	993,055	223,471
Philanthropic											
Donations	2,081,002	—	2,081,002	41,615	337,163	100,000	—	478,778	500,000	3,059,780	2,947,557
Donations in-kind	26,720	—	26,720	—	—	—	—	—	—	26,720	—
Other	240,994	—	240,994	—	—	—	—	—	—	240,994	17,948
	3,414,240	232,542	3,646,782	41,615	376,985	100,000	242,634	761,234	500,000	4,908,016	4,838,533
Expense											
Program											
Good works grants	2,892,389	—	2,892,389	129,829	200,167	—	504,725	834,721	3,643	3,730,753	3,168,200
Donations in-kind	26,720	—	26,720	—	—	—	—	—	—	26,720	—
Fundraising											
Salaries and benefits	709,780	—	709,780	—	—	—	—	—	—	709,780	258,256
Contract services	135,791	—	135,791	—	—	—	—	—	—	135,791	291,977
Marketing	21,374	—	21,374	—	—	—	—	—	—	21,374	66,577
Administration and other											
Bad debts	—	174,165	174,165	—	—	—	—	—	—	174,165	177,512
Administrative fees	47,130	—	47,130	10,309	—	—	—	10,309	—	57,439	6,238
Amortization of intangible assets	22,532	—	22,532	2,365	—	—	—	2,365	—	24,897	21,497
Other	44,267	—	44,267	133	—	—	20,630	20,763	—	65,030	104,803
	3,899,983	174,165	4,074,148	142,636	200,167	—	525,355	868,158	3,643	4,945,949	4,095,060
Net revenue (expense) for the year	(485,743)	58,377	(427,366)	(101,021)	176,818	100,000	(282,721)	(106,924)	496,357	(37,933)	743,473
New endowment funds	—	—	—	—	—	—	—	—	—	—	—
Transfers	(190,632)	(58,377)	(249,009)	—	249,263	—	(254)	249,009	—	—	—
Net assets, beginning of year	5,346,328	16,708,960	22,055,288	298,011	116,082	209,389	1,749,108	2,372,590	549,161	24,977,039	24,233,566
Net assets, end of year	4,669,953	16,708,960	21,378,913	196,990	542,163	309,389	1,466,133	2,514,675	1,045,518	24,939,106	24,977,039

See accompanying notes