

Canadian Forces Central Fund

Consolidated Financial Statements

March 31, 2025

Independent auditor's report

To the Members of the Non-Public Property Oversight and Advisory Board of
Canadian Forces Central Fund

Opinion

We have audited the consolidated financial statements of **Canadian Forces Central Fund** [the "Organization"], which comprise the consolidated statement of financial position as at March 31, 2025 and the consolidated statement of operations and changes in net assets and consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2025, and its results of 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 the audit of the consolidated financial statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the consolidated 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.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Organization as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

Ernst & Young LLP

Ottawa, Canada
December 4, 2025

Chartered Professional Accountants
Licensed Public Accountants



Canadian Forces Central Fund

Consolidated Statement of Financial Position

As at March 31, 2025

	2025	2024 [restated note 19]
	\$	\$
Assets		
Current		
Cash [note 3]	24,523,434	46,951,613
Accounts receivable [notes 4 and 13]	32,599,934	68,016,576
Current portion of loans receivable [note 5]	1,651,024	1,862,250
Accrued interest and dividend receivable [note 6]	302,152	486,212
Prepaid expenses	887,239	983,278
Trust receivables [note 7]	109,911,965	23,498,718
Current portion of deferred tenant items [note 8]	186,021	151,319
	<u>170,061,769</u>	<u>141,949,966</u>
Loans receivable [note 5]	8,693,034	10,132,874
Portfolio investments [note 6]	245,539,534	222,152,929
Deferred tenant items [note 8]	449,968	594,455
Income-producing properties, net [note 9]	33,386,198	33,965,333
	<u>458,130,503</u>	<u>408,795,557</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities [notes 10 and 13]	28,663,859	34,240,206
Trust liabilities [note 11]	235,661,357	195,053,582
Unearned revenue	256,583	-
Current portion of long-term debt [note 12]	383,342	363,235
	<u>264,965,141</u>	<u>229,657,023</u>
Long-term debt [note 12]	16,818,505	17,201,847
	<u>281,783,646</u>	<u>246,858,870</u>
Net assets	<u>176,346,857</u>	<u>161,936,687</u>
Total liabilities and net assets	<u>458,130,503</u>	<u>408,795,557</u>

Approved on Behalf of the Non-Public Property Oversight and Advisory Board:



Dave Patel
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

Canadian Forces Central Fund

Consolidated Statement of Operations and Changes in Net Assets

Year ended March 31, 2025

	2025	2024 [restated note 19]
	\$	\$
Revenue		
SISIP contribution to CFCF <i>[note 13]</i>	23,179,460	-
User fees for services <i>[note 13]</i>	4,561,458	-
Dividends and interest	7,076,462	5,738,990
Realized gains on portfolio investments	4,036,776	3,035,971
Unrealized gains on portfolio investments	12,089,306	12,794,142
Interest on loans and trusts receivable	1,819,755	1,144,868
Property investment revenue <i>[notes 13 and 14]</i>	9,704,744	9,271,165
Consolidated Insurance Program premiums	1,552,361	517,206
Sponsorship <i>[note 1]</i>	1,301,273	-
CANEX credit plan administration fees <i>[note 13]</i>	-	837,068
Other	76,306	100,115
	65,397,901	33,439,525
Expenses		
Property investment expenses <i>[note 14]</i>	9,938,658	9,522,390
Interest to bases/wings/funds/messes/trusts <i>[note 13]</i>	5,840,994	6,822,548
NPP programs and services <i>[note 15]</i>	3,185,797	-
Consolidated Insurance Program expenses	1,411,142	2,047,454
Investment services	540,161	482,715
CFCF management	412,461	460,285
Other	317,535	342,128
CFMWS user fees for services <i>[note 13]</i>	-	350,000
	21,646,748	20,027,520
Excess of revenue over expenses before the undernoted	43,751,153	13,412,005
Distributions <i>[note 13]</i>	(29,340,983)	(4,492,000)
Excess of revenue over expenses	14,410,170	8,920,005
Net assets, beginning of year	161,936,687	153,016,682
Net assets, end of year	176,346,857	161,936,687

The accompanying notes are an integral part of these consolidated financial statements.

Canadian Forces Central Fund

Consolidated Statement of Cash Flows

Year ended March 31, 2025

	2025	2024 [restated note 19]
	\$	\$
Operating activities		
Excess of revenue over expenses	14,410,170	8,920,005
Add (deduct) items not affecting cash		
Change in fair value of investments	(16,126,082)	(15,830,113)
Write off of loans	430,580	604,022
Amortization of income-producing properties	2,998,034	2,846,486
Amortization of deferred tenant items	250,440	259,066
Changes in non-cash working capital balances related to operations		
Accounts receivable	35,416,642	46,575,631
Accrued interest and dividend receivable	184,060	(127,816)
Prepaid expenses	96,039	221,535
Trust receivables	(86,413,247)	15,168,715
Accounts payable and accrued liabilities	(5,576,347)	(38,712,161)
Trust liabilities	40,607,775	5,381,812
Unearned revenue	256,583	-
Cash provided by (used in) operating activities	(13,465,353)	25,307,182
Investing activities		
Investment in income-producing properties	(2,418,899)	(2,184,445)
Proceeds from insurance on income-producing properties	-	144,504
Investment in deferred tenant items	(140,655)	(405,765)
Acquisition of portfolio investments	(95,235,959)	(132,462,227)
Proceeds from disposal of portfolio investments	87,975,436	126,867,345
New loans issued related to operations	(709,380)	(2,469,238)
Principal repayment of loans	1,929,866	27,584,641
Cash provided by (used in) investing activities	(8,599,591)	17,074,815
Financing activities		
Repayment of long-term debt	(363,235)	(338,875)
Cash used in financing activities	(363,235)	(338,875)
Net increase (decrease) in cash	(22,428,179)	42,043,122
Cash, beginning of year	46,951,613	4,908,491
Cash, end of year	24,523,434	46,951,613

The accompanying notes are an integral part of these consolidated financial statements.

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

1. Nature of operations

Canadian Forces Central Fund ["CFCF" or the "Organization"] was established by the Chief of the Defence Staff ["CDS"] on February 1, 1968, under Section 2 and Sections 38 to 41 of the *National Defence Act* (Canada), to provide banking services to units and trusts from non-public funds, and financial assistance to units in establishing and improving messes and recreational and social facilities for the benefit of Canadian Armed Forces ["CAF"] personnel and their dependents.

Non-Public Property ["NPP"] is defined under the *National Defence Act* (Canada). The Organization operates under the authority of the CDS in their NPP capacity.

Effective April 1, 2024, the construct for Canadian Forces Morale and Welfare Services ["CFMWS"] entity was changed to focus on three publicly funded corporate accounts with the Department of National Defence ["DND"]. The NPP share of split-funded expenses under these accounts is now funded through a single contribution from CFCF. Activities fully funded by NPP, including Sponsorship, were transferred to CFCF effective April 1, 2024.

In common with other non-public funds, CFCF 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.

Basis for consolidation

CFCF accounts for its controlled not-for-profit subsidiaries Queensway Corporate Campus ["QCC"] and 1209 Michael St., hereafter collectively described as the "property investments", using the consolidation method.

Cash

Cash consists of balances with banks, cash in the broker accounts and short-term investments with a short maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Portfolio investments

Portfolio investments consist of treasury bills, fixed income pooled funds, Canadian and international equities, and infrastructure and real estate pooled funds. Portfolio investments are measured at fair value, determined by reference to published price quotations in an active market at year-end. Changes in fair value are recognized in the statement of operations and changes in net assets for the year.

Consolidated Notes to the Financial Statements

March 31, 2025

Income-producing properties

Income-producing properties are property investment assets. They are initially recorded at cost and then amortized on a straight-line basis at the following annual rates:

Buildings	5%
Deferred tenant recoveries	4-33%
Equipment	12%
Paving	9%

Deferred tenant items

Deferred leasing commissions

Property investment leasing commissions are initially deferred and are then amortized over the respective term of the lease to administration, legal and other expenses on the statement of operations and changes in net assets. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance will result in a charge to net revenue at that time.

Deferred tenant inducements

Property investment tenant inducements such as free rent or move-in allowances, which are provided on signing a lease, are initially deferred and are then amortized over the respective term of the lease against rental revenue. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance will result in a charge to net revenue at that time.

Financial instruments

CFCF initially measures its financial assets and financial liabilities issued or assumed in an arm's length transaction at fair value. Related party debt or equity instruments that are quoted in an active market, debt instruments with observable inputs that are significant to the determination of their fair value, and derivative instruments are also initially recorded at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by CFCF. If the consideration transferred or received has repayment terms, then the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

CFCF subsequently measures its financial assets and financial liabilities, including related party financial instruments, at amortized cost, with the exception of portfolio investments, which are subsequently measured at fair value.

Consolidated Notes to the Financial Statements

March 31, 2025

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in excess of revenue over expenses. 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 of revenue over expenses using the straight-line method.

Revenue recognition

Dividends, interest and the CANEX credit plan administration fees are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Property investment rental revenue is recognized on a monthly basis in accordance with the terms and conditions of the lease agreements with each of the tenants. Operating expenses incurred for common areas, such as hallways, bathrooms, landscaping and snow removal, are recovered from tenants in the period incurred.

Revenue from user fees and related party contributions is recognized as revenue in the month the applicable program service or activity is rendered.

Revenue from premiums received under the internal Consolidated Insurance Program ["CIP"] is recognized as income over the period in which coverage is provided.

Sponsorship revenue may include both cash and product-in-kind and is recognized when the sponsorship agreement is executed and the related benefits have been delivered to the sponsor. If sponsorship funds are received in advance of the activity, they are recorded as unearned revenue and recognized when the activity takes place. Product-in-kind sponsorships are recognized at fair value upon receipt, provided that appropriate documentation is obtained and validated by an NPP authorized agent.

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 as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Management makes estimates in determining the estimated net realizable value of accounts receivable, deferred tenant items and loans receivable; the amortization of income-producing properties and the amount of accrued liabilities. Actual results could differ from those estimates. The estimates are reviewed annually and, as adjustments become necessary, they are recognized in the financial statements in the year they become known.

Employee future benefits

CFMWS participates in the Canadian Forces Non-Public Funds (NPF) Employees Pension Plan [the "Plan"], which is a multi-employer, contributory, defined benefit plan. The Plan provides retirement benefits relating to contributions and years of service of staff of all Non-Public Funds. Substantially, all CFMWS employees are eligible to be members of the Plan.

The CFMWS portion of the Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, the CFMWS contributions to the Plan are included as an expense in the statement of operations. A net defined pension benefit asset has not been recorded on the statement of financial position.

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

3. Cash

CFCF maintains cash in its consolidated bank account on behalf of other funds, trusts and units. The interest earned on such funds is recorded as revenue of CFCF. CFCF pays the respective funds, trusts and units for cash managed on their behalf. In fiscal 2025, CANEX, base/wing/unit funds, trusts, messes and museums received 3% interest [2024 – 3% and for those under special agreements, a triennial payment calculated as 50% of the CFCF average rate of return greater than 3% over the prior three years]. These amounts are recorded as interest expense in the statement of operations and changes in net assets.

CFCF's main banking provider is the Bank of Montreal ["BMO"]; however, it also holds bank accounts with other financial institutions. Bank accounts in an overdraft position that do not have a legally enforceable right of offset with other cash balances are reported as bank indebtedness on the statement of financial position.

CFCF has an operating credit facility of \$20 million, which bears interest at its bank's prime rate [2024 – \$20 million at its bank's prime rate]. No balance has been drawn as at March 31, 2025 and 2024.

4. Accounts receivable

Prior to April 1, 2024, CFCF purchased the accounts receivable of all NPP activities undertaken by CFMWS, base/wing/unit funds, messes and museums, CANEX, SISIP Financial, Canadian Armed Forces Charitable Fund ["CAF CF"] and specialty interest activities. Such balances were repurchased by the respective entities at their exchange amount on April 1, 2024.

Accounts receivable comprise the following:

	2025	2024
	\$	[restated] \$
Purchased receivables		
CANEX	-	53,773,468
CFMWS	-	202,932
CAF CF	-	350,499
Strathcona Trust	-	4,607
SISIP Financial	-	3,543,776
Base/wing/unit funds, messes, museums	-	4,695,360
	-	62,570,642
Trade and other receivables <i>[note 13]</i>	30,175,035	3,292,213
Government remittances receivable, net	87,260	-
Tenant receivables	575,618	960,460
Insurance claim receivable	1,762,021	1,193,261
	32,599,934	68,016,576

In the accounts receivable purchased from CANEX as at March 31, 2024 were approximately \$51.5 million related to CANEX's interest-free credit plans available to eligible patrons, the remaining balance pertained to trade receivables.

Included in purchased receivables in 2024 was \$1,302,412 in net government sales tax remittances.

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

5. Loans receivable

Loans issued by CFCF include interest-bearing unsecured capital financing loans for NPP entities, interest-free working capital loans to units on deployed operations for the duration of the deployment, and interest-bearing relocation loans for Staff of the Non-Public Funds, Canadian Forces employees. The Organization also provides interest-bearing refinance loans on NPP credit balances to help members avoid default and bankruptcy, often with the assistance of SISIP Financial. Repayment terms for all CFCF loans vary from three to 20 years.

	2025	2024 [restated]
	\$	\$
CANEX	9,266,338	10,811,321
Refinance	673,061	755,510
Trenton	356,452	377,867
Relocation	48,207	50,426
	10,344,058	11,995,124
Less current portion	(1,651,024)	(1,862,250)
	8,693,034	10,132,874

6. Portfolio investments

The surplus assets of CFCF are held in a pooled fund. The fund value is presented at fair value and any unrealized gains or losses are recorded in the statement of operations and changes in net assets in the period in which the change occurs. The pooled assets are invested in accordance with the guidelines set out in the investment policy. The investment policy has set a targeted investment mix of cash and fixed income 20%–55%, Canadian equities 6%–26%, global equities 22%–42%, and infrastructure, alternatives and real estate 0%–40%. The actual allocation of funds is as follows:

	2025		2024	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Cash and equivalents	7,342,623	7,342,624	5,695,551	5,695,656
Canadian fixed income	61,367,061	60,296,266	48,665,349	49,610,229
Canadian equities	47,481,267	36,665,710	41,806,226	33,497,965
Global equities	69,023,918	43,321,631	64,030,475	42,378,547
Real estate	24,125,840	24,189,065	21,307,080	22,789,669
Infrastructure and alternatives	36,500,977	33,322,476	41,134,460	40,052,468
	245,841,686	205,137,772	222,639,141	194,024,534
Less accrued interest and dividends receivable	(302,152)	(302,152)	(486,212)	(486,266)
	245,539,534	204,835,620	222,152,929	193,538,268

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

The portfolio investments are externally managed by CIBC Asset Management, with CIBC Mellon acting as custodian.

Cash and equivalents comprises short-term investments including cash and fixed income securities with maturities of 12 months or less held by investment managers for investment purposes.

7. Trust receivables

The CFCF maintains non-interest-bearing assets on behalf of various entities within its NPP framework [note 13]. Trust receivables consist of the following:

	2025	2024 [restated]
	\$	\$
CANEX	67,465,332	23,498,718
CFMWS	38,867,426	-
Base/wing/unit/trust funds, messes and other	3,579,207	-
	109,911,965	23,498,718

8. Deferred tenant items

Deferred tenant items of the property investments consist of the following:

	2025			2024		
	Tenant inducements	Leasing commissions	Total	Tenant inducements	Leasing commissions	Total
	\$	\$	\$	\$	\$	\$
Deferred items	182,509	453,480	635,989	246,466	499,308	745,774
Less current portion	-	(186,021)	(186,021)	-	(151,319)	(151,319)
	182,509	267,459	449,968	246,466	347,989	594,455

Consolidated Notes to the Financial Statements

March 31, 2025

9. Income-producing properties

Income-producing properties of the property investments consist of the following:

	Cost	Accumulated amortization	2025 Net book value
	\$	\$	\$
Buildings	44,695,775	32,249,357	12,446,418
Land	12,197,792	-	12,197,792
Paving	10,608,016	9,958,207	649,809
Deferred tenant recoveries	8,233,516	1,617,809	6,615,707
Equipment	1,558,267	1,480,599	77,668
Construction-in-progress	1,398,804	-	1,398,804
	78,692,170	45,305,972	33,386,198

	Cost	Accumulated amortization	2024 Net book value
	\$	\$	\$
Buildings	44,548,277	30,073,208	14,475,069
Land	12,197,792	-	12,197,792
Paving	10,608,016	9,817,912	790,104
Deferred tenant recoveries	6,538,248	1,024,701	5,513,547
Equipment	1,725,000	1,382,839	342,161
Construction-in-progress	646,660	-	646,660
	76,263,993	42,298,660	33,965,333

10. Accounts payable and accrued liabilities

Prior to April 1, 2024, CFCF purchased the accounts payable of all NPP activities undertaken by CFMWS, base/wing/unit funds, messes and museums, CANEX, SISIP Financial and specialty interest activities. Such balances were repurchased by the respective entities on April 1, 2024 at their exchange amount.

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

Accounts payable and accrued liabilities comprise the following:

	2025	2024 [restated]
	\$	\$
Purchased payables		
CFMWS	-	11,565,377
CANEX	-	2,920,262
Base/wing/unit funds, messes, museums	-	2,226,982
SISIP Financial	-	580,927
CAF CF	-	166,026
Strathcona Trust	-	479
	-	17,460,053
Accounts payable and accrued liabilities <i>[note 13]</i>	28,663,859	16,714,837
Government remittances payable, net	-	65,316
	28,663,859	34,240,206

11. Trust liabilities

The CFCF maintains interest-bearing liabilities on behalf of various entities within its NPP framework *[note 13]*.

	2025	2024
	\$	\$
Base/wing/unit/trust funds, messes and other	164,635,618	161,356,665
NPF Pension/Benefits	48,969,476	8,895,538
CAF CF	21,318,136	19,411,103
SISIP Financial	738,127	4,491,237
CFMWS	-	899,039
	235,661,357	195,053,582

Included in trust liabilities for CAF CF are restricted funds of \$17,758,960 [2024 – \$17,758,960] that consist of protected principal that must be maintained in perpetuity for Endowments and the Support Our Troops Loan Program.

12. Long-term debt

Long-term debt for the QCC property consists of the following mortgage payable with the BMO:

	2025	2024
	\$	\$
Long-term debt	17,201,847	17,565,082
Less current portion	(383,342)	(363,235)
	16,818,505	17,201,847

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

Long-term debt is secured by a general security agreement covering all assets pertaining to QCC, a first charge on the real estate of QCC, a general assessment of rents and an assignment of insurance to the bank. The amounts are also secured by a letter of acknowledgement from CFCF, CANEX and SISIP Financial.

On May 3, 2023, QCC consolidated its three BMO floating rate 30–90 day term loans into a three-year BMO swap agreement with a maturity date of May 1, 2026 to minimize borrowing costs in a period of high and rising interest rates. On a monthly basis, QCC pays interest on a floating rate mortgage [the hedged item] based on the Canadian Dollar Offered Rate ["CDOR"] plus 140bps, and receives or pays interest under a swap [the hedging item] to fix the interest cost at a rate of 5.4%. With matching critical terms, QCC opted to designate a hedging relationship between these items with the effect of netting interest and swap payments in interest expense.

The basis for the mortgage floating rate interest changed from CDOR plus 140bps to daily compounded Canadian Overnight Repo Rate Average ["CORRA"] plus 168.5bps due to the cessation in publication of CDOR in June 2024. Banking institutions were required to ensure customers remained in an economically equivalent position after transition; accordingly, the BMO mortgage amortization schedule is unchanged after the transition.

Management intends to renew the mortgage when it comes due. If the mortgage is renewed on fixed terms at a similar rate, principal repayments for the mortgage and loan are estimated to be as follows:

	\$
2026	<u>383,342</u>
2027	<u>404,563</u>
2028	<u>426,958</u>
2029	<u>450,593</u>
2030	<u>475,536</u>
Thereafter	<u>15,060,855</u>
	<u>17,201,847</u>

As at the date of these financial statements, the Organization is in compliance with all the covenants required by the banking agreement.

13. Related party transactions

Among the other entities that operate under the authority of the CDS in their NPP capacity are CFMWS, CANEX, SISIP Financial, CAF CF, NPF Employee Group Insurance Plan [the "Pension Plan"] and Canadian Forces Non-Public Funds (NPF) Employees Pension Plan. New related party entities include Staff of the Non-Public Funds ["SNPF"] and Public Service Level Agreements ["Public SLA"].

Included in accounts receivable is \$407,132 [2024 – \$183,265] owing from CFMWS and \$10,059 [2024 – nil] owing from CANEX to CFCF. Also included in accounts receivable is \$23,179,460 [2024 – nil] owing from SISIP Financial for contributions in support of NPP operations.

Included in accounts payable and accrued liabilities is \$222,581 [2024 – \$98,150] owing to CANEX. Also included is \$19,845,339 [2024 – nil] owing to CFMWS and \$392,680 [2024 – nil] owing to the Public SLA entity for the NPP share of split-funded activities. Amounts due from related parties are non-interest bearing and have no specified terms of repayment.

Consolidated Notes to the Financial Statements

March 31, 2025

User fees for services are charged to related parties for accounting, human resource management, information management and information technology and the consolidated insurance programs. Effective April 1, 2024, user fees are paid to CFCF and then disbursed to CFMWS as a component of the CFCF contribution to CFMWS. In 2024, user fees flowed directly to CFMWS and so are nil in CFCF [note 1]. The CFCF paid user fees of \$350,000 [2024 – \$350,000] to CFMWS in relation to accounting, which are included in the distribution to CFMWS in 2025. User fees included in CFCF revenue in 2025 are as follows:

	2025				
	CANEX	SISIP Financial	Bases/ wings/ messes	Pension administration	Total
	\$	\$	\$	\$	\$
Accounting	1,842,819	171,093	152,241	48,628	2,214,781
Information services	1,014,453	434,037	8,395	-	1,456,885
Human resources	634,332	218,911	-	36,549	889,792
	3,491,604	824,041	160,636	85,177	4,561,458

Property investment revenue includes amounts charged to related parties as follows:

	2025	2024
	\$	\$
CANEX	166,620	156,756
CFMWS	490,634	482,329
SISIP Financial	116,378	116,378
	773,632	755,463

The Organization ceased purchasing CANEX credit plans effective April 1, 2024. Accordingly, CFCF received administration fees of nil in 2025 [2024 – 837,068].

The CFCF paid interest of \$5,840,992 [2024 – \$6,822,543] to NPP entities [including base/wing/unit funds, messes, museums and trusts] that hold shares in the internal consolidated bank account administered by CFCF.

Distributions reflect funding that is received or earned by CFCF and that is passed on to NPP entities. The SISIP contribution to CFCF funds the CANEX/SISIP Dividend and the grants to bases/wings/funds/messes/ships/trusts. The CFCF contributions to CFMWS and Public SLA for the NPP share of split-funded activities are funded through contributions from SISIP Financial, user fees charged to NPP entities and CFCF investment revenues.

Senior Military Appointment grants ["SMA grants"] are made available to senior CAF appointments that do not have access to NPP funds through a local base/wing fund [previously Senior Executive Appointment ["SEA"] grants].

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

During the year, CFCF distributed the following to support NPP morale and welfare services, programs and governance:

	2025	2024
	\$	\$
Contribution to CFMWS	23,675,815	4,492,000
CANEX/SISIP Dividend	4,942,158	-
Contribution to Public SLA	392,680	-
Grants to bases/wings/funds/messes/ships/trusts	187,500	-
SMA/SEA grants	142,830	-
	29,340,983	4,492,000

14. Property investment revenue and expenses

The property investments consist of the following:

Queensway Corporate Campus

QCC was acquired by CFCF on December 24, 2009 for \$56.8 million. The investment encompasses the real estate located at 4200 Labelle Street, 4210 Labelle Street and 1223 Michael Street in Ottawa, Ontario. QCC is externally managed by the property management firm, Inside Edge Properties.

Michael Street Property

This property is located at 1209 Michael St. in Ottawa, Ontario and was acquired on September 1, 2015 for \$4.185 million. The property is externally managed by the property management firm, Inside Edge Properties.

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

Property investment revenue and expenses consisted of the following:

	2025	2024
	\$	\$
Property investment revenue		
Rental revenue	9,393,995	9,056,977
Other revenue	310,749	214,188
	<u>9,704,744</u>	<u>9,271,165</u>
Property investment expenses		
Administration, legal and other	1,068,844	842,021
Amortization on income-producing properties	2,998,034	2,846,486
Amortization on deferred tenant items	250,440	259,066
Insurance	-	5,000
Interest on long-term debt	935,486	966,975
Office and general	91,770	21,619
Payment in lieu of property taxes	1,639,463	1,711,485
Property and asset management fees	608,402	636,575
Repairs and maintenance	1,543,265	1,469,082
Utilities	802,954	764,082
	<u>9,938,658</u>	<u>9,522,391</u>
Deficiency of revenue over expenses	<u>(233,914)</u>	<u>(251,226)</u>

15. NPP programs and services

NPP programs and services are those fully funded by CFCF loan, investment and sponsorship revenues. In 2024, NPP programs were accounted for in the financial statements of CFMWS [note 1]; as such, 2024 amounts were nil. They consist of the following:

	2025
	\$
Sponsorship	1,906,495
CFOne membership	331,280
Member customer service	285,069
PSP national projects	246,149
NPP Volunteer Program	233,000
National sports	90,171
Conseil International du Sport Militaire ["CISM"]	71,186
Community recreation	22,447
	<u>3,185,797</u>

Consolidated Notes to the Financial Statements

March 31, 2025

16. Commitment

In November 2024, the Organization entered into a five-year contract with a property management firm to manage the property investments on its behalf. This contract expires in November 2029. The annual fee calculation is based on a percentage of actual gross revenue and operating net income of the property and will be no less than the base fee of \$500,000 adjusted annually for inflation. For the five-year contract ending in November 2024, the base rate for the annual fee was \$431,490 adjusted quarterly for actual gross revenue and net operating income of the property and adjusted annually for inflation.

17. Pension Plan

All eligible employees are members of the multi-employer Pension Plan. The Organization's share of contributions to the Pension Plan was nil in the current year due to a mandatory employer contribution holiday effective June 1, 2023. Contributions to the plan were nil in 2024 as the employees of NPP programs were reported under CFMWS [note 1] until the transfer to CFCF effective April 1, 2024.

Actuarial valuations prepared as at December 31, 2024 indicated the following information about the Pension Plan on a going concern basis:

	2025	2024
	\$	\$
Net assets available for benefits	592,256,000	545,936,980
Actuarial pension obligation	(442,739,000)	(404,311,000)
Surplus	149,517,000	141,625,980

Under the going concern basis, this valuation compares the relationship between the value of the Pension Plan's assets and the present value of the expected future benefit cash flows in respect of accrued service, assuming the Pension Plan will be maintained indefinitely. After incorporating an asset smoothing adjustment, this valuation resulted in a surplus of \$120,187,000 [2024 – \$138,783,000].

Conversely, under the hypothetical solvency [or wind-up] basis, the Pension Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules and under circumstances producing the maximum wind up liabilities on the valuation date. This valuation resulted in a surplus of \$99,700,000 [2024 – \$77,240,000].

The valuation is used to assess monthly and annual employer contributions. The Pension Plan is required to have its next actuarial valuation performed as at December 31, 2027.

18. Financial instruments and risk management

CFCF's investment portfolio is subject to a variety of financial instrument risks that could adversely affect its cash flows, financial position and income. CFCF's Statement of Investment Policies and Procedures ["SIPP"] prescribes an asset mix policy, requires portfolio investment diversification, sets guidelines on investment categories, and limits exposure to individual investments and major asset classes. CFCF's financial risks are concentrated in its investment holdings detailed in the table in note 6. These risks include credit risk, liquidity risk and market risk [including interest rate risk, currency risk and other price risk]. The following analysis provides a measure of CFCF's risk exposure as at the statement of financial position date:

Consolidated Notes to the Financial Statements

March 31, 2025

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. CFCF is exposed to credit risk on its accounts receivable, loans receivable and short-term investments, including interest and dividends receivable. It is also exposed to credit risk on the property investment receivables. The probable losses are determined on a continuing basis and a provision for losses is calculated based on the estimated realizable value. CFCF uses diversification to spread the investments across various issuers and sectors to reduce exposure to any single credit risk.

Liquidity risk

Liquidity risk is the risk CFCF will have difficulty in meeting obligations associated with financial liabilities, which include accounts payable and accrued liabilities, trust liabilities and long-term debt. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. CFCF believes that its recurring financial resources are adequate to cover all of its expenditures.

Market risk

Market risk arises as a result of trading in equity within the portfolio investments. Fluctuations in the market expose CFCF to a risk of loss.

Diversification is an established way to mitigate the impact of market downturns and enhance long term returns, and using this technique to construct an investment portfolio that is broadly diversified at the targeted level of market risk. Diversification is also expected to mitigate the impact of severe equity market downturns and concentration risk. Equities are diversified in different business sectors and corporation sizes.

Market risk also includes currency risk, credit risk, interest rate risk, liquidity risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CFCF is exposed to interest rate risk on its variable interest short-term financial instruments, which include cash and cash equivalents, loans receivable, and the Canadian bond fund. The Canadian bond fund uses a laddered portfolio with varying terms to maturity to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

CFCF is exposed to interest rate risk on its long-term debt. This risk was mitigated through a swap agreement to fix the interest rate over the term of the mortgage.

Currency risk

The CFCF is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

Consolidated Notes to the Financial Statements

March 31, 2025

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management believes that no material other price risk factors exist.

19. Comparative financial information

In the current year, management revised the presentation of the financial statements to report the results of the Organization's property investments on a consolidated basis, and so the presentation of the comparative financial information has been revised to conform to the current year presentation. This change in presentation did not impact the Organization's net assets or excess (deficiency) of revenue over expenses.

The following tables illustrate the impact of consolidating the Organization's property investments for the year ended March 31, 2024:

Consolidated Statement of Financial Position (as at March 31, 2024):

	Previously reported	Increase (decrease)	As restated
	\$	\$	\$
Assets			
Current			
Cash	43,781,933	3,169,680	46,951,613
Accounts receivable	65,687,608	2,328,968	68,016,576
Trust receivables	23,731,388	(232,670)	23,498,718
Prepaid expenses	583,270	400,008	983,278
Current portion of deferred tenant items	-	151,319	151,319
Total current assets	136,132,661	5,817,305	141,949,966
Loans receivable	12,998,360	(2,865,486)	10,132,874
Equity investments	17,497,810	(17,497,810)	-
Deferred tenant items	-	594,455	594,455
Income-producing properties	-	33,965,333	33,965,333
Total assets	388,781,760	20,013,797	408,795,557
Liabilities			
Current			
Accounts payable and accrued liabilities	31,791,491	2,448,715	34,240,206
Current portion of long-term debt	-	363,235	363,235
Total current liabilities	226,845,073	2,811,950	229,657,023
Long-term debt	-	17,201,847	17,201,847
Total liabilities	226,845,073	20,013,797	246,858,870

Consolidated Notes to the Financial Statements

March 31, 2025

Consolidated Statement of Operations and Changes in Net Assets for the year ended March 31, 2024:

	Previously reported	Increase (decrease)	As restated
	\$	\$	\$
Revenue			
Interest on project loans receivable	1,261,937	(117,069)	1,144,868
(Loss) earnings from Queensway Corporate Campus	(656,884)	656,884	-
Earnings (loss) from Michael Street Property	56,089	(56,089)	-
Property investment revenue	-	9,271,165	9,271,165
Consolidated Insurance Program premiums	758,321	(241,115)	517,206
Total revenue	23,925,749	9,513,776	33,439,525
Expenses			
Property investment expenses	-	9,522,390	9,522,390
Interest to bases/wings/funds/messes and trusts	6,831,162	(8,614)	6,822,548
Total expenses	10,513,744	9,513,776	20,027,520

Canadian Forces Central Fund

Consolidated Notes to the Financial Statements

March 31, 2025

Consolidated Statement of Cash Flows for the year ended March 31, 2024:

	Previously reported	Increase (decrease)	As restated
	\$	\$	\$
Operating activities			
Earnings/loss from Queensway Corporate Campus	656,884	(656,884)	-
Earnings/loss from Michael Street Property	(56,089)	56,089	-
Amortization of income-producing properties	-	2,846,486	2,846,486
Amortization of deferred tenant items	-	259,066	259,066
Changes in non-cash working capital balances related to operations			
Accounts receivable	47,228,816	(653,185)	46,575,631
Prepaid expenses	118,213	103,322	221,535
Trust receivables	13,224,238	1,944,477	15,168,715
Accounts payable and accrued liabilities	(38,832,433)	120,272	(38,712,161)
Cash provided by (used in) operating activities	21,287,539	4,019,643	25,307,182
Investing activities			
Investment in income-producing properties	-	(2,184,445)	(2,184,445)
Proceeds from insurance on income-producing properties	-	144,504	144,504
Investment in deferred tenant items	-	(405,765)	(405,765)
Principal repayment of loans	27,690,308	(105,667)	27,584,641
Cash provided by (used in) investing activities	19,626,188	(2,551,373)	17,074,815
Financing activities			
Repayment of long-term debt	-	(338,875)	(338,875)
Cash used in financing activities	-	(338,875)	(338,875)
Net increase in cash	40,913,727	1,129,395	42,043,122
Cash, beginning of year	2,868,206	2,040,285	4,908,491
Cash, end of year	43,781,933	3,169,680	46,951,613