

FINANCIAL STATEMENTS
For
SISIP FINANCIAL
For the year ended
MARCH 31, 2025

INDEPENDENT AUDITOR'S REPORT

To the Non-Public Property Oversight and Advisory Board of

SISIP Financial

Opinion

We have audited the financial statements of SISIP Financial, which comprise the balance sheet as at March 31, 2025 and the statements of operations and changes in surplus and cash flows for the year then ended, and 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 SISIP Financial as at March 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 Financial Statements* section of our report. We are independent of SISIP Financial in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 opinion.

*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 private enterprises, 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 SISIP Financial'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 SISIP Financial to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SISIP Financial'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 SISIP Financial'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 SISIP Financial'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 SISIP Financial 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.

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.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
October 15, 2025.

**SISIP FINANCIAL
BALANCE SHEET
MARCH 31, 2025**
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1	\$ 1
Due from Canadian Forces Central Fund (note 5)	-	4,491
Accounts receivable (note 6)	104	244
Prepaid expenses	167	73
Work in progress (note 7)	<u>566</u>	<u>2,769</u>
	<u>838</u>	<u>7,578</u>
OTHER ASSETS		
Segregated funds (note 8)	564,344	514,836
Net plan assets (note 9)	<u>40,271</u>	<u>16,239</u>
	<u>604,615</u>	<u>531,075</u>
PROPERTY AND EQUIPMENT (note 10)	700	1,015
INTANGIBLE ASSETS (note 11)	<u>3,732</u>	<u>-</u>
	<u>\$ 609,885</u>	<u>\$ 539,668</u>
<u>LIABILITIES AND SURPLUS</u>		
CURRENT LIABILITIES		
Due to Canadian Forces Central Fund (note 5)	\$ 22,441	\$ -
Accounts payable and accrued liabilities (note 13)	<u>1,626</u>	<u>2,021</u>
	24,067	2,021
SURPLUS (note 12)	<u>585,818</u>	<u>537,647</u>
	<u>\$ 609,885</u>	<u>\$ 539,668</u>
Commitments (note 16)		

On behalf of the Non-Public Property Oversight & Advisory Board:


 Dave Patel, Chief Financial Officer

(See accompanying notes)

SISIP FINANCIAL
STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
REVENUE		
Premium (note 2)	\$ 97,560	\$ 93,877
Interest credited (notes 2 and 4)	8,874	7,714
Gain on segregated funds	51,663	47,076
Gain (loss) on net plan investments	9,197	(1,547)
Commissions	8,957	7,444
Financial counselling and education	-	4,251
CAF LTD administration fee	6,280	6,220
Other	<u>18</u>	<u>5</u>
	<u>182,549</u>	<u>165,040</u>
EXPENSES		
Claims and related expenses	68,954	77,628
Reserve increase - plan experience	3,917	7,064
Policy administration	2,313	2,225
Premium tax and provincial taxes	2,439	3,713
Salary and benefits	16,380	17,898
CMFWS divisional user fees	845	824
Facilities	741	824
Service fees	2,217	2,118
Other operating expenses	2,505	3,379
Reinsurance	1,453	1,901
Investment management fees	<u>2,155</u>	<u>2,107</u>
	<u>103,919</u>	<u>119,681</u>
RESERVE (INCREASE) DECREASE - ASSUMPTION CHANGES (notes 2 and 9)	<u>(7,280)</u>	<u>6,803</u>
INCOME FROM OPERATIONS	71,350	52,162
OTHER ITEM		
Contribution to NPP operations (note 17)	<u>(23,179)</u>	<u>(17,212)</u>
NET INCOME (Schedule A)	48,171	34,950
SURPLUS, BEGINNING OF YEAR	<u>537,647</u>	<u>502,697</u>
SURPLUS, END OF YEAR	<u>\$ 585,818</u>	<u>\$ 537,647</u>

(See accompanying notes)

SISIP FINANCIAL
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
CASH PROVIDED FROM (USED IN)		
Operating activities		
Net income	\$ 48,171	\$ 34,950
Items not affecting cash:		
Unrealized segregated fund income, net of expense	(49,508)	(44,970)
Unrealized gain on net plan investments	(10,627)	(4,872)
Unrealized income from net plan assets	(13,404)	(396)
Amortization	<u>382</u>	<u>193</u>
	(24,986)	(15,095)
Change in level of:		
Work in progress	2,203	(2,558)
Accounts receivable	140	(110)
Prepaid expenses	(94)	(5)
Accounts payable and accrued liabilities	(395)	1,015
Due to/from Canadian Forces Central Fund	<u>26,932</u>	<u>(41,447)</u>
	<u>28,786</u>	<u>(58,200)</u>
Investing activities		
Payments to acquire intangible assets	(3,971)	-
Proceeds from disposal of capital assets	171	-
Proceeds from withdrawal of segregated funds	-	48,200
Proceeds from withdrawal of net plan assets	<u>-</u>	<u>10,000</u>
	<u>(3,800)</u>	<u>58,200</u>
INCREASE IN CASH	-	-
CASH, BEGINNING OF YEAR	<u>1</u>	<u>1</u>
CASH, END OF YEAR	<u>\$ 1</u>	<u>\$ 1</u>

(See accompanying notes)

SISIP FINANCIAL
STATEMENT OF OPERATIONS BY DIVISION
YEAR ENDED MARCH 31, 2025

(in thousands of dollars)

	2025					2024				
	Insurance	Financial Planning	Financial Counselling	Segregated Funds	Total	Insurance	Financial Planning	Financial Counselling	Segregated Funds	Total
REVENUE										
Premium	\$ 97,560	\$ -	\$ -	\$ -	\$ 97,560	\$ 93,877	\$ -	\$ -	\$ -	\$ 93,877
Interest credited	8,874	-	-	-	8,874	7,714	-	-	-	7,714
Gain on segregated funds	-	-	-	51,663	51,663	-	-	-	47,076	47,076
Gain (loss) on net plan investments	9,197	-	-	-	9,197	(1,547)	-	-	-	(1,547)
Commissions	279	8,678	-	-	8,957	272	7,172	-	-	7,444
Financial counselling and education	-	-	-	-	-	-	-	4,251	-	4,251
CAF LTD administration fee	6,280	-	-	-	6,280	6,220	-	-	-	6,220
Other	18	-	-	-	18	4	1	-	-	5
	<u>122,208</u>	<u>8,678</u>	<u>-</u>	<u>51,663</u>	<u>182,549</u>	<u>106,540</u>	<u>7,173</u>	<u>4,251</u>	<u>47,076</u>	<u>165,040</u>
EXPENSES										
Claims and related expenses	68,954	-	-	-	68,954	77,628	-	-	-	77,628
Reserve increase - plan experience	3,917	-	-	-	3,917	7,064	-	-	-	7,064
Policy administration	2,313	-	-	-	2,313	2,225	-	-	-	2,225
Premium tax and provincial taxes	2,439	-	-	-	2,439	3,713	-	-	-	3,713
Salary and benefits	7,815	8,565	-	-	16,380	7,809	7,601	2,488	-	17,898
CFMWS divisional user fees	834	11	-	-	845	824	-	-	-	824
Facilities	412	329	-	-	741	340	271	213	-	824
Service fees	474	1,743	-	-	2,217	568	1,368	182	-	2,118
Other operating expenses	1,729	776	-	-	2,505	1,351	944	1,084	-	3,379
Reinsurance	1,453	-	-	-	1,453	1,901	-	-	-	1,901
Investment management fees	-	-	-	2,155	2,155	-	-	-	2,107	2,107
	<u>90,340</u>	<u>11,424</u>	<u>-</u>	<u>2,155</u>	<u>103,919</u>	<u>103,423</u>	<u>10,184</u>	<u>3,967</u>	<u>2,107</u>	<u>119,681</u>
RESERVE (INCREASE) DECREASE										
- ASSUMPTION CHANGES	(7,280)	-	-	-	(7,280)	6,803	-	-	-	6,803
INCOME (LOSS) FROM OPERATIONS	24,588	(2,746)	-	49,508	71,350	9,920	(3,011)	284	44,969	52,162
OTHER ITEM										
Contribution to NPP operations	(23,179)	-	-	-	(23,179)	(17,212)	-	-	-	(17,212)
NET INCOME (LOSS)	<u>\$ 1,409</u>	<u>\$ (2,746)</u>	<u>\$ -</u>	<u>\$ 49,508</u>	<u>\$ 48,171</u>	<u>\$ (7,292)</u>	<u>\$ (3,011)</u>	<u>\$ 284</u>	<u>\$ 44,969</u>	<u>\$ 34,950</u>

(See accompanying notes)

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

1. NATURE OF OPERATIONS

SISIP Financial is a commercial entity of the Canadian Forces Morale and Welfare Services ("CFMWS") operating under the authority of the Chief of the Defence Staff ("CDS") in their Non-Public Property ("NPP") capacity. Responsibility for directing the affairs of SISIP Financial rests with the Managing Director of NPP as delegated by the CDS. SISIP Financial operations reported on herein are divided between SISIP Insurance, SISIP Financial Planning and, in the prior year, SISIP Financial Counselling and Education programs (see Schedule A).

Effective April 1, 2024, SISIP Financial Counselling and Education operations are reported in entity CFMWS to align with other programs supported by Public Funds of the Department of National Defence ("DND"). SISIP Financial continues to operate and manage financial counselling and education programs; however, all associated revenues, salaries and program-related expenses are now reported under CFMWS.

SISIP Financial also operates and administers the Treasury Board Supported Plans ("TBSP") which include CAF Long Term Disability and Basic Life Insurance programs for General Officers. For this service, SISIP Financial receives an administration fee that is included in the revenues of SISIP Financial.

SISIP Financial provides financial products and services to current and former members of the Canadian Armed Forces ("CAF") and their families to enhance the financial well-being of the CAF community through tailored and unbiased financial solutions; thereby contributing to operational readiness and effectiveness.

SISIP Insurance provides the following products: Survivor Income Benefit, Dependent Life, Optional Group Term Insurance, Insurance for Released Members, Coverage After Release, Reserve Term Insurance Plan, Spousal Disability Plan, Optional General Officers Insurance Plan, Term 100 Life Insurance, Travel Insurance and Critical Illness Insurance (the "Plans"). The Plans, with the exception of Critical Illness Insurance, are underwritten by The Manufacturers Life Insurance Company ("Manulife") based on a Financial and Operations Agreement (the "Agreement") between the CDS and Manulife. The CDS has a surplus under the Plans that is managed by Manulife for the purpose of funding the payment of claims under the Plans. Should these funds not be sufficient to discharge all insurance claims, the Canadian government, CFMWS/SISIP, and Manulife are responsible for funding the deficit. Critical Illness Insurance is underwritten and insured by Industrial Alliance. Manulife is the underwriter of the insurance program and provides administration services such as premium review, claims adjudication and the payment of lump-sum and monthly benefits for the Plans. However, SISIP Financial and the CDS/Deputy Minister have the right to make adjudication decisions as they deem needed.

SISIP Financial Planning provides current and former military personnel and their families with nationwide access to professional financial planning and investment management services.

SISIP Financial Counselling and Education programs provide financial counselling services to help CAF members develop and manage budgets, to alleviate difficult financial situations or to provide advice when members have to make important financial decisions. Education services include professional personal financial education for military members so they become familiar with key financial management principles, such as managing credit through a budget.

In support of TBSP, SISIP Financial works with the various stakeholders to ensure excellence in customer service to their CAF clients. Along with some administration functions, SISIP Financial is responsible to ensure that the TBSP are being administered in accordance with contractual provisions.

The Canadian Forces Central Fund ("CFCF") is a separate entity under the directional responsibility of the NPP Oversight and Advisory Board. It provides banking services and financial assistance to NPP entities.

In common with other non-public funds, SISIP Financial is exempt from paying income tax under Part 1 of the *Income Tax Act (Canada)*.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for private enterprises with the exception of the Coverage After Release ("CAR") paid-up policy and Supplementary Survivor Benefit ("SSB") for which no future premium payment will be made. Under Canadian accounting standards for private enterprises, these are liabilities in determining the net plan assets or liabilities. SISIP Financial does not recognize a liability for these coverages until the plan member is entitled to an issued policy. This is consistent with the treatment of the benefits under the Agreement. The estimated value of these claims has been disclosed as a commitment in Note 16.

Financial Instruments

(a) Measurement of financial instruments

SISIP Financial initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

Cash, segregated funds and plan investments are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred. The fair value of segregated funds and plan investments are determined by reference to published price quotations in active market at year-end.

(b) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.

Revenue recognition

Revenues are recorded in the period in which they are earned, when collection of any related amounts receivable is probable, where per service evidence of an arrangement exists and the sales price is fixed and determinable. Unearned amounts for which material program benefits or services have yet to be delivered are recorded as deferred revenue.

Property and equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method over the following periods:

Computer equipment	4 years
Furniture and fixtures	8 years
Leasehold improvements	11 years

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Internally developed intangible assets

Internally developed intangible assets for cloud computing arrangements are recognized at cost and amortized over their estimated useful lives on a straight line basis over a four year period. Costs associated with implementation activities, including software development and system integration, are capitalized when they meet the criteria for recognition as intangible assets. Expenditures on research activities are recognized as an expense in the period incurred. SISIP Financial has an intangible asset in the form of development costs for a customized cloud-based Customer Relationship Management ("CRM") system. See also Note 3.

Net plan assets and liabilities

Under the terms of the Agreement, SISIP Insurance is required to fund all liabilities associated with the Plans. Funds are held on deposit by Manulife which are used to discharge these liabilities. Funds held on deposit are required to be held until all liabilities are discharged and Manulife has the legal right under the Agreement to use these funds in discharging the liabilities before SISIP Insurance can withdraw the funds. As a result, the difference between the estimated liabilities and funds held on deposit are presented net as either assets or liabilities.

The net plan assets and liabilities are measured at each reporting period as the difference between the plan reserves and plan investments.

The Plan reserves are measured by estimating the actuarial determined liabilities for the Plans plus an amount for a Claims Fluctuations Reserve ("CFR") (Note 9) required under the Agreement. Canadian accounting standards for private enterprises do not have guidance in determining these liabilities. As a result, SISIP Insurance follows IFRS 17 – Insurance Contract standard in determining the measurement of plan reserves. The future claim payments are expressed as a present value liability by discounting each payment using the discount interest rate prescribed by the IFRS 17 method, and weighted by the probability of each payment occurring, which is described by the actuarial termination tables. The plan reserves were determined in accordance with the standards established by the Canadian Institute of Actuaries. Changes in the liabilities are recorded in the statement of operations when incurred.

The Plan's investments represent the cumulative incomes in excess of expenditures before considering plan reserves. Referencing IFRS 17, mortgages and private placements are reported at the fair market value.

Premium income and related expenses

Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are recognized as revenue when due.

Expenses are recognized when incurred. Plan assets and liabilities are computed at the end of each year, resulting in benefits and expenses being matched with the premium income.

Interest credited

Interest is credited to the Plans for plan investments based on an interest crediting formula defined in the Agreement. The formula is based on the actual return of a predetermined asset mix.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee future benefits

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

SISIP Financial's portion of the Pension Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, SISIP Financial's contributions to the Pension Plan are included as an expense in the statement of operations. A pension asset has not been recorded on the balance sheet.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises 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.

Management makes estimates in determining the estimated useful life of SISIP Financial's property and equipment, its plan reserves and certain accrued liabilities. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2024, SISIP adopted the new Accounting Guideline AcG-20, Customer's Accounting for Cloud Computing Arrangements ("AcG-20") for internally developed intangible assets. This new guideline provides guidance on both accounting for a customer's expenditures in a cloud computing arrangement and determining whether a software intangible asset exists in the arrangement.

Under the new AcG-20, enterprises are provided with an optional simplification approach to expense as incurred the expenditures related to the elements in a cloud computing arrangement. When an enterprise does not apply the simplification approach, AcG-20 provides factors to assist the enterprise in determining whether the arrangement includes a software intangible asset or is a software service. An accounting policy choice is also available to either capitalize directly attributable expenditures on implementation activities when the arrangement is a software service or expense such expenditures as incurred. AcG-20 also clarifies that an enterprise may determine a method on a rational and consistent basis for allocating arrangement consideration to significant separable elements in an arrangement and that an enterprise applies Section 3064, Goodwill and Intangible Assets, to account for the significant elements unless the elements are tangible assets or rights to use tangible assets. Lastly, AcG-20 requires enterprises to disclose information on how the arrangement is accounted for in their financial statements.

SISIP adopted the new AcG-20 retrospectively. The adoption of this new guideline had no significant impact on the financial statements since SISIP did not adopt the simplification approach and had no such assets in the prior year.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

SISIP Financial is exposed to various risks through its financial instruments. The following analysis provides a measure of SISIP Financial's risk and exposure and concentrations.

SISIP Financial does not use derivative financial instruments to manage its risks.

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.

SISIP Financial is exposed to credit risks principally from cash, accounts receivable, segregated funds and plan investments. SISIP Financial carries out, on a continuing basis, a review of outstanding amounts and also deals with credit worthy counterparts to mitigate the risk of financial loss from default.

Liquidity risk

Liquidity risk refers to the adverse consequences that SISIP Financial will encounter should difficulty in meeting the obligations associated with its financial liabilities arise, which are comprised of accounts payable and accrued liabilities.

SISIP Financial manages this risk by maintaining sufficient cash to meet their current obligations and management establishes budget and cash estimates to determine their future cash flow requirements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Substantially all SISIP Financial's transactions are in Canadian dollars and as a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

SISIP Financial is exposed to interest rate risk as result of the potential claims from the members of the various plans. If cash flow from assets supporting claim liabilities does not match the timing and amount of the claim, cash flows, interest rate losses or gains may occur due to changing interest rates in the future. The quality of the asset liability matching program is reviewed quarterly at Manulife using duration measures and cash flow testing under alternative economic scenarios. SISIP Financial follows an investment policy structured to ensure matching of assets and liabilities.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Cont'd.

Market risk - Cont'd.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

Other price risk affecting segregated funds is disclosed in Note 8.

Changes in risk

There have been no material changes in SISIP Financial's risk exposures from the prior year.

5. DUE FROM/TO CANADIAN FORCES CENTRAL FUND

The amount due from (to) CFCF of \$(22,441) (2024 - \$4,491) represents SISIP Financial's share of an internal Consolidated Bank Account ("CBA") administered by CFCF. Amounts due to CFCF are non-interest bearing and have no specific terms of repayment. Amounts due from CFCF bear interest at a rate determined by the CFMWS Chief Financial Officer, being 3% per annum in 2024 and 2025. CFCF operates under the authority of the CDS in its NPP capacity. Responsibility for directing the affairs of CFCF rests with the Managing Director, NPP as delegated by the CDS.

6. ACCOUNTS RECEIVABLE

Non-public accounts receivable were purchased by CFCF in the prior year. On April 1, 2024, SISIP repurchased its receivable balance of \$2,520. Public receivables in 2024 relate to a service level agreement with Director General Compensation and Benefits for a financial education program which was transferred out of SISIP Financial on April 1, 2024 per Note 1. Accounts receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 59	\$ -
Public receivables	-	244
Government remittances receivable	<u>45</u>	<u>-</u>
	<u>\$ 104</u>	<u>\$ 244</u>

7. WORK IN PROGRESS

Work in progress relates to major interior renovations or minor refreshes to the office buildings in Edmonton, Esquimalt, Gaagetown, Bagotville and Comox, as well as development costs for a new customer relationship management system. In 2025, WIP included \$566 (2024 - \$158) for such office renovations and \$nil (2024 - \$2,611) in development costs for a new Customer Relationship Management ("CRM") system which launched in 2025 (Note 11).

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

8. SEGREGATED FUNDS

The surplus assets of SISIP Insurance are held in a segregated fund. The fund value is presented at fair value and any unrealized gains or losses are recorded in the statement of operations in the period in which the change occurs. The segregated assets are invested in accordance with the guidelines set out in the investment policy. The investment policy has a set targeted investment mix of Cash and fixed income 20%-55%, Canadian equities 6%-26%, Global equities 22%-42%, Infrastructure and alternatives 0%-20% and Real estate 0%-20%. The actual allocation of the funds is as follows:

	2025			2024		
	% allocation	Book value \$	Market value \$	% allocation	Book value \$	Market value \$
<i>(in thousands of dollars)</i>						
Cash and fixed income	36.7	150,630	207,068	35.2	137,536	180,992
Canadian Equity	16.4	54,567	92,637	15.6	53,904	80,545
Global Equities	32.5	92,171	183,302	33.8	95,245	173,930
Infrastructure and alternatives	4.9	20,516	27,929	10.1	40,579	52,073
Real estate	<u>9.5</u>	<u>40,256</u>	<u>53,408</u>	<u>5.3</u>	<u>20,768</u>	<u>27,296</u>
	<u>100.0</u>	<u>358,140</u>	<u>564,344</u>	<u>100.0</u>	<u>348,032</u>	<u>514,836</u>

9. NET PLAN ASSETS AND LIABILITIES

The net plan assets represent the following held by Manulife:

	<u>2025</u>	<u>2024</u>
Plan investments	\$ 287,850	\$ 252,622
Plan reserves	<u>(247,579)</u>	<u>(236,383)</u>
Net plan assets	<u>\$ 40,271</u>	<u>\$ 16,239</u>

SISIP Insurance is entitled to any surplus once all obligations under the Plan have been paid. Also, should the Plan be in a deficit position, the CDS is responsible to fund the liability.

Actuarial reserves used in the determination of plan liabilities are calculated by Manulife based on the methodology described in Note 2. Assumptions used by Manulife to determine the reserves are only changed after appropriate notice has been given to SISIP Insurance.

The determination of the actuarial reserves included in plan liabilities involves the use of estimates and assumptions which are comprised of two major components; a best estimated amount and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize SISIP Insurance's exposure to measurement uncertainty.

Best estimate assumptions are made with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actual experience is monitored to ensure that the assumptions remain appropriate and assumptions are changed as warranted.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

9. NET PLAN ASSETS AND LIABILITIES - Cont'd.

The assumptions made in establishing actuarial reserves reflect expected best estimates of future experience. To recognize the uncertainty in these best estimate assumptions, to allow for possible under or over estimation of and deterioration in experience and to provide a greater degree of assurance that actuarial reserves are adequate to pay future benefits, SISIP Insurance is required to include a margin in each assumption.

Minimum requirements are prescribed by the Canadian Institute of Actuaries for determining margins related to interest rate risk. Specific guidance is also provided for other risks such as market, credit, mortality and morbidity risks. For other risks which are not specifically addressed by the Canadian Institute of Actuaries, a range is provided of 5% - 20% of the expected experience assumption. Annual assumptions used are within the permissible ranges, with the determination of the level set taking into account the risk profile of the business. On occasion, in specific circumstances for additional prudence, a margin may exceed the high end of the range, which is permissible under the Standards of Practice. Each margin is reviewed annually for continued appropriateness.

The Agreement defines the requirements for SISIP Insurance to fund any Plan shortfalls and when SISIP Insurance is entitled to withdraw the plan assets. SISIP Insurance is required to maintain a CFR up to 25% of the Plans' premiums and may only withdraw surplus funds in excess of the CFR target.

10. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2025</u>			<u>2024</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>	
Computer equipment	\$ 358	\$ 358	\$ -	\$ 2	
Furniture and fixtures	263	245	18	34	
Leasehold improvements	<u>1,777</u>	<u>1,095</u>	<u>682</u>	<u>979</u>	
	<u>\$ 2,398</u>	<u>\$ 1,698</u>	<u>\$ 700</u>	<u>\$ 1,015</u>	

11. INTANGIBLE ASSETS

Intangible assets consist of internally developed customizations of CRM software-as-a-service with access controlled by SISIP.

	<u>2025</u>	<u>2024</u>
CRM development	\$ 3,971	\$ -
Less accumulated amortization	<u>(239)</u>	<u>-</u>
	<u>\$ 3,732</u>	<u>\$ -</u>

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

12. SURPLUS

Under the Reinsurance Funding Agreement, SISIP Financial is required to maintain a minimum surplus of \$260,000 to cover claims in excess of reinsurance coverage made in relation to hostile events. SISIP Financial must provide Manulife with at least nine months' notice should it intend to reduce the surplus below \$260,000.

A further restriction related to CFR (as outlined in Note 9) is maintained separately.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable were previously purchased by CFCF whereas accrued liabilities were reported in SISIP Financial. SISIP Financial repurchased its accounts payable balance of \$443 on April 1, 2024.

14. PENSION PLAN

All eligible employees are members of the Pension Plan. SISIP Financial's share of contributions to the Pension Plan were \$nil in the current year due to a mandatory employer contribution holiday effective June 1, 2023. In 2025, SISIP Financial contributed \$nil (2024 - \$240) which is included in the applicable expense category on the Statement of Operations and Changes in Surplus.

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

	<u>2025</u>	<u>2024</u>
Net assets available for benefits	\$ 592,256	\$ 545,937
Actuarial pension obligation	<u>(442,739)</u>	<u>(404,311)</u>
Surplus	<u>\$ 149,517</u>	<u>\$ 141,626</u>

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 (2024 - \$138,783).

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 (2024 - \$77,240).

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.

SISIP Financial has a legacy defined benefit plan ("the Staff Plan") which is closed to new members. SISIP Financial's contributions to the Staff Plan were \$181 (2024 - \$201) and are included in the applicable expense category on the Statement of Operations and Changes in Surplus.

SISIP FINANCIAL
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2025
(in thousands of dollars)

15. RELATED PARTY TRANSACTIONS

Among the other entities under the authority of the CDS in their NPP capacity are CFMWS, Canadian Forces Exchange System ("CANEX"), CFCF, Canadian Armed Forces Charitable Funds and individual bases, wings and messes. During the fiscal year, SISIP Financial paid lease expenses of \$414 (2024 – \$491) to CANEX. The amount is reduced in the current year due to the SISIP Financial Counselling and Education program being reported under CFMWS in 2025 (Note 1).

In addition, see Note 17 for details of SISIP Financial's contributions to CFCF and CFMWS.

All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. COMMITMENTS

SISIP Insurance has estimated future liabilities not yet recognized related to the CAR paid-up policy and SSB for which no future premium payments will be made. The terms of the Agreement do not include these amounts in the determination of plan reserves. In an ad hoc review conducted in 2023, the estimated present value of these future liabilities was assessed at \$72,260 as of 31 March 2023. These liabilities are expected to be fully settled in approximately 20 years.

SISIP Financial is committed to payments under an operating lease for the premises at 220 Laurier Avenue West, Ottawa through 2030. Annual payments for the next five years are as follows:

2026	\$	74
2027		78
2028		78
2029		78
2030		<u>78</u>
	\$	<u>386</u>

17. CONTRIBUTION TO NPP OPERATIONS

During the year, \$23,179 (2024 - \$17,212 to CFMWS) was contributed by SISIP Financial to CFCF to support NPP operations including programming, capital projects and maintenance.