

SFPP CORPORATION
Financial Statements

December 31, 2024

Independent Auditor's Report

To the SFPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of SFPP Corporation, which comprise the statement of financial position as at December 31, 2024, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SFPP Corporation as at December 31, 2024, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of SFPP Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SFPP Corporation'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SFPP Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 SFPP Corporation'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 SFPP Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause SFPP Corporation 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.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

April 24, 2025
Edmonton, Alberta

SFPP CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2024

<i>(in thousands)</i>	2024	2023
Financial assets		
Cash	\$ 44	\$ 302
Due from Special Forces Pension Plan (Note 6)	147	-
	<hr/> 191	<hr/> 302
Liabilities		
Due to Special Forces Pension Plan (Note 6)	-	216
Due to Alberta Pensions Services Corporation (Note 7)	10	15
Accounts payable and accrued liabilities	223	112
	<hr/> 233	<hr/> 343
Net debt	<hr/> (42)	<hr/> (41)
Non-financial assets		
Tangible capital assets (Note 8)	189	225
Prepaid expenses	42	41
	<hr/> 231	<hr/> 266
Net assets before spent deferred capital contributions	<hr/> 189	<hr/> 225
Spent deferred capital contributions (Note 8)	<hr/> 189	<hr/> 225
Net assets	<hr/> \$ -	<hr/> \$ -

Contractual obligations (Note 9)

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

Approved by the Board:

Approved by Management:

Jason Elliott
Chair, Corporate Board

LIZ DOUGHTY
Chief Executive Officer

SFPP CORPORATION
STATEMENT OF OPERATIONS
Year ended December 31, 2024

<i>(in thousands)</i>	2024		2023
	Budget	Actual	Actual
Revenue			
Interest Income	\$ _____	\$ 12	\$ 13
Total revenue	12	13	13
Expenses			
Salaries and benefits	\$ 1,861	\$ 1,835	\$ 1,455
Contract services	781	953	726
General and administrative	572	494	524
Amortization (Note 8)	67	51	47
Corporate board	101	70	92
Sponsor board	63	20	24
Total expenses	3,445	3,423	2,868
Total net operating costs	3,445	3,411	2,855
Recovery of costs from the SFPP (Note 6)	3,445	3,411	2,855
Annual surplus (deficit)	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	\$ -	\$ -	\$ -

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

SFPP CORPORATION
STATEMENT OF CHANGE IN NET DEBT
Year ended December 31, 2024

<i>(in thousands)</i>	2024		2023
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Acquisition of capital assets (Note 8)	-	(15)	(253)
Write-down of leasehold improvements	-	-	69
Write-down of tangible capital assets	-	-	22
Amortization of tangible capital assets (Note 8)	67	51	47
Change in spent deferred capital contributions	(67)	(36)	186
Change in prepaid expenses	-	(1)	(12)
(Increase) Decrease in net debt	-	(1)	59
Net debt at beginning of year	<u>(100)</u>	<u>(41)</u>	<u>(100)</u>
Net debt at end of year	<u><u>\$ (100)</u></u>	<u><u>\$ (42)</u></u>	<u><u>\$ (41)</u></u>

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

SFPP CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2024

<i>(in thousands)</i>	2024	2023
Operating transactions		
Annual surplus (deficit)	\$ -	\$ -
Non-cash items included in annual surplus (deficit)		
Write down of leasehold improvements	-	69
Write down of tangible capital asset leasehold improvement	-	22
Write down of Spent Deferred Capital Contribution	-	(22)
Increase in Deferred Lease inducement	-	(69)
Amortization of tangible capital assets (Note 8)	51	47
Amortization of spent deferred capital contributions	(51)	(45)
Amortization of deferred lease inducement	-	(2)
	-	-
Increase in accounts receivable	-	1
Increase in prepaid expenses	(1)	(12)
Increase in due from Special Forces Pension Plan (Note 6)	(147)	-
(Decrease) Increase in due to Special Forces Pension Plan (Note 6)	(216)	66
(Decrease) Increase in due to Alberta Pensions Services Corporation (Note 7)	(5)	5
Increase in accounts payable and accrued liabilities	111	25
Cash (applied to) provided by operating transactions	(258)	85
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(15)	(253)
Cash applied to capital transactions	(15)	(253)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	15	253
Cash provided by financing transactions	15	253
(Decrease) Increase in cash	(258)	85
Cash at beginning of year	302	217
Cash at end of year	<u>\$ 44</u>	<u>\$ 302</u>

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

SFPP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2024

1. Authority

SFPP Corporation (Corporation) is a “Provincial Corporation” established on December 11, 2018 by the *Joint Governance of Public Sector Pension Plans Act* (Alberta) (Joint Governance Act) and commenced operations on March 1, 2019. The Corporation operates under the authority of the *Financial Administration Act* (Alberta), *Alberta Public Agencies Governance Act*, and the *Reform of Agencies, Boards and Commissions Compensation Act*.

2. Nature of operations

The Corporation is the trustee and administrator of the Special Forces Pension Plan (SFPP). SFPP is registered under the *Employment Pension Plans Act* (Alberta) (EPPA). The functions of the Corporation include supporting the SFPP Sponsor Board in performing its statutory functions under the Joint Governance Act.

The Corporation and the SFPP Sponsor Board were established prior to the Corporation becoming the trustee of the SFPP on March 1, 2019.

3. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Recovery of costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The Corporation’s financial assets and liabilities are generally measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost
Due to/from pension plan	Lower of cost or net recoverable value
Accounts payable, accrued liabilities, and accrued salaries and benefits	Cost

Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid, investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Due to/from pension plan

Amounts due to/from pension plan are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-financial assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware and software	3 years
Furniture and equipment	5 years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations. The threshold for capitalizing tangible capital assets is \$2,000. The threshold for capitalizing software or new systems development is \$25,000.

Prepaid expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Net debt

Net debt reflects the difference between the Corporation's financial assets and liabilities. The net debt will be recovered from the SFPP Plan as authorized by the Joint Governance Act, in a future period when the Corporation realizes benefits associated with the non-financial assets.

Financial instruments

Financial instruments of the Corporation consist of cash, due from/to pension plan, due from/to Alberta Pensions Services Corporation, accounts payable and accrued liabilities and accrued salaries and benefits. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

4. Future changes in accounting standards

On April 1, 2026 (fiscal years beginning on or after), the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board will come into effect:

- **The Conceptual Framework for Financial Reporting in the Public Sector**
The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.
- **PS 1202 Financial Statement Presentation**
Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

Management is currently assessing the impact of the conceptual framework and the standard on the financial statements.

5. Budget

The Corporation's 2024 budget was approved by the Corporation's Board of Directors.

6. Recovery of costs (*in thousands*)

The Corporation charges the SFPP for its operating costs, as authorized by the Joint Governance Act.

At December 31, 2024, there was \$147 receivable from SFPP (2023 – \$216 payable to SFPP). The receivable at year end is directly related to the timing of the disbursement of funds and capital contributions.

7. Due to Alberta Pensions Services Corporation (*in thousands*)

In addition to plan administration services, Alberta Pensions Services Corporation also provides a limited number of corporate services to the Corporation. The balance of these services at the end of December 31, 2024 was \$10 (2023 - \$15). The payable at year end is directly related to the timing of the disbursement of funds.

8. Tangible capital assets (*in thousands*)

				2024	2023	
	Computer hardware & software	Furniture & equipment	Leasehold improvements	Total	Total	
Estimated useful life	3 years	5 years	Lease term			
Historical Cost						
Beginning of year	\$ 117	\$ 80	\$ 124	\$ 321	\$ 199	
Additions	7	1	7	15	253	
Disposals, including write-downs	41	-	-	41	131	
	83	81	131	295	321	
Accumulated Amortization						
Beginning of year	66	22	8	96	89	
Amortization expense	17	16	18	51	47	
Effect of disposals	41	-	-	41	40	
	42	38	26	106	96	
Net Book Value	\$ 41	\$ 43	\$ 105	\$ 189	\$ 225	

Financing for additions was obtained from the SFPP and is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

9. **Contractual obligations (*in thousands*)**

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

In 2023 the Corporation signed a lease amendment effective for the final 7 years of the lease. The minimum annual commitments are as follows:

Operating

2025	222
2026	230
2027	236
2028	243
2029	249
Thereafter	<u>63</u>
	<u>\$ 1,243</u>

The minimum annual commitment includes basic rent and an estimate for operating cost recoveries. Operating cost recoveries will be adjusted for actual costs during the year.

As part of the lease amendment, the Corporation received a revised rent reduction of \$75 over the remaining term of the lease.

10. **Trust funds under administration (*in thousands*)**

Effective March 1, 2019, the Corporation administers trust funds in the SFPP on behalf of the beneficiaries in accordance with the EPPA.

These amounts are held on behalf of others with no power of appropriation and therefore are not reported in these financial statements. At December 31, 2024, trust funds under administration by the Corporation were \$4,758,012 (2023 - \$4,225,115).

11. Salaries and benefits disclosure (in thousands)

The table below provides complete disclosure of salary, vacation and personal leave payout, employer portion of pension contributions and all other compensation paid during the year ended December 31, 2024 to the Chief Executive Officer and Executives.

POSITION	BASE SALARY ¹	OTHER CASH	OTHER NON-CASH	2024 TOTAL	2023 TOTAL
		BENEFITS ²	BENEFITS ³		
(\$ thousands)					
Chief Executive Officer	220	46	6	272	260
Chief Investment Officer ⁴	133	14	27	174	291
Chief Strategy Officer ⁵	204	35	4	243	243
Chief Pension Officer ⁶	201	5	37	243	194
Chief Finance and Risk Officer ⁷	124	6	21	151	-
Chief Financial Officer ⁷	-	-	-	-	142
Executive Director Finance and Risk ⁷	83	5	17	105	39

⁽¹⁾ Base salary includes regular salary.

⁽²⁾ Other cash benefits include vacation, payout of personal leave, vehicle allowance and cash in lieu of retirement benefits.

⁽³⁾ Other non-cash benefits include Corporation's share of contributions to the pension plans based on each individual's pensionable salary, also included are payments made on the employee's behalf including health care and dental coverage, group life insurance, long-term disability insurance, and professional memberships and education resulting in certification.

⁽⁴⁾ Chief Investment Officer left SFPP Corporation on July 31, 2024 and the position was left vacant for the remainder of the year.

⁽⁵⁾ Chief Strategy Officer left SFPP Corporation on December 31, 2024

⁽⁶⁾ Chief Pension Officer joined SFPP Corporation on January 3, 2023 as a part time employee and became permanent on January 16, 2024.

⁽⁷⁾ The Chief Financial Officer left SFPP Corporation on August 16, 2023. The position was vacant until November 6, 2023 when it was filled and reclassified to the Executive Director of Finance and Risk and later reclassified again to Chief Finance and Risk Officer on June 6, 2024.

Board remuneration (in thousands)

The Board Chair position received remuneration of \$15 (2023 - \$11). The other board members received a combined total remuneration of \$17 (2023 - \$13). The remuneration is paid in accordance with the rates approved by the Shareholder and is subject to applicable withholdings.

12. Defined benefit plans (*in thousands*)

The Corporation participates in two multi-employer defined benefit public sector pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers (SRP) and an additional Reserve Fund. The expense for these pension plans is equivalent to the contributions of \$132 (2023 - \$147) for the year ended December 31, 2024. This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2023, PSPP reported a surplus of \$4,542,500 (2022 - surplus of \$4,258,271), MEPP reported a surplus of \$1,316,313 (2022 - surplus of \$924,735) and SRP had a deficiency of \$21,343 (2022 - deficiency of \$25,117).

13. Financial instruments

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity is amounts charged to the SFPP (Note 6).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

14. Related party transactions (*in thousands*)

Related parties include the Government of Alberta, the Plan and key management personnel, close family members of those individuals, and entities that those individuals or their close family members may have significant control over.

All related party transactions are in the normal course of operations and consist of the recovery of the Corporations operating expenses and tangible assets as disclosed in the financial statements.

Related party transactions also include the purchase of risk management insurance from the Government of Alberta of which \$9 (2023 - \$10) is included in Prepaid expenses and \$37 (2023 - \$38) in General and administrative expenses. The Corporation is also required to file an annual information return for the Plan with the Government of Alberta, of which \$18 (2023 - \$16) is included in contract services.

15. Legislative Non-compliance

In 2023, the Chief Investment Officer's (CIO) salary exceeded the maximum allowed by the Reform of Agencies, Boards, and Commissions Compensation Act (RABCCA) by \$9,645 due to market competitiveness. This non-compliance was resolved mid-year 2024 when the CIO left. Note 11 provides disclosure of salaries and benefits, detailing the compensation of the CIO.

16. Approval of financial statements

The Corporation's Board of Directors approved the financial statements on April 24, 2025.