Toronto Atmospheric Fund

For the year ended December 31, 2024

Report to Audit Committee
Audit results

April 25, 2025

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Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the consolidated financial statements of Toronto Atmospheric Fund (the "Organization") for the year ended December 31, 2024. This communication will assist the Audit Committee in understanding the results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Audit Committee (the “Committee”). It is not intended to be distributed or used by anyone other than these specified parties.

We were engaged to provide the following deliverables:

Deliverable
Discussions and communications regarding planning
Report on the December 31, 2024 consolidated financial statements
Communication of audit results

Status of our audit

We have substantially completed our audit of the consolidated financial statements of the Organization and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items that were outstanding as at April 25, 2025:

- Approval of the consolidated financial statements by the Board of Directors
- Procedures regarding subsequent events
- Receipt of signed management representation letter (a draft has been attached in Appendix A)

We have successfully executed our audit strategy in accordance with the plan provided to Audit Committee dated March 26, 2025.

Independence

We confirm that there have been no changes to our status with respect to independence since we confirmed our independence to you on March 26, 2025.

Audit risks and results

Areas of focus

The following is a summary of areas of focus, and the related matters and findings we would like to communicate to Audit Committee.

Area of focus	Matter	Our response and findings
Risk of manipulation of the financial statements as a result of management override of financial controls	This is a presumed fraud risk which results from the small size of the accounting department and the potential for any management group to override internal controls.	• We obtained the entire population of journal entries for the year and, using data analytics, tested a sample based on characteristics deemed unusual given our knowledge of the Organization's operations. • Reviewed accounting estimates for biases. • Evaluated the business rationale (or lack thereof) for significant transactions that are or appear to be outside the normal course of operations. *No matters of concern were noted.*
Risk of manipulation of revenue and contributions	There is a presumed risk of fraud in revenue and contributions due to the inherent bias to manage to budget.	External funding • We performed tests of details over a sample of external funding revenue and contribution transactions. • Reviewed and tested external funding agreements to ensure appropriate revenue recognition policies are used. We also tested eligible expenses per contract terms and conditions to ensure appropriate revenue recognition of amounts with external restrictions. Investment income • Obtained investment statements, agreed investment income to investment statements, recalculated investment income where applicable, and obtained market value information from third party sources. • Analytics performed on realized gains and losses, unrealized gains and losses and foreign exchange gains and losses.

Area of focus	Matter	Our response and findings
		Energy Savings Performance Agreements • Agreed a sample of monthly Energy Savings Performance Agreements payments to bank deposits. *Aside from the adjustment to reduce external funding revenue recognized in the consolidated statement of operations as noted in the adjusted misstatement chart below, no matters of concern were noted.*
Risk of incorrect valuation of investments	The risk results from the size and volume of the Organization's investment as well as the nature of some of the investments (investments in private funds).	• Obtained investment statements and agreed fair market value of investments to trial balance. • Engaged third party valuation company (Harvest) to determine the fair market value of a sample of private pooled funds and compared the value to the Organization's value. • Obtained valuation reports for investments in private funds and private entities and assessed the cost for indicators of impairment. • Reviewed any management write-downs of investments in private funds and private entities for appropriateness. *No matters of concern were noted.*
TCHC Sparroway Retrofit Project	The Organization entered into an agreement with Toronto Community Housing Corporation (TCHC) to provide services for the retrofit of TCHC's Sparroway Complex. During the year, the Organization recognized $2,934,434 in external funding revenue for the Sparroway Retrofit project. The Organization also recognized $2,934,434 in eligible expenditures for the project for a net impact of $Nil on the excess of revenue over expenses. The agreements associated with this project were complex and raised the issue of whether the Organization was acting as principal or agent for this retrofit project. Management assessed that based on the facts and circumstances there was sufficient evidence to report this project on a gross basis.	• Reviewed contracts and agreements associated with the Sparroway project. • Evaluated management's assessment against the criteria for recognizing revenue on a gross basis under section PS 3400. • We tested eligible expenses per contract terms and conditions to ensure appropriate revenue recognition. • We agreed invoices for the project to cash deposits. The assessment of whether revenue should be recognized on a gross vs net basis is subjective. There was sufficient evidence to support recognition on a gross basis. However, if the Organization had concluded that this project should have been recorded on a net basis, there would have been no impact on the excess of revenues over expenses but the gross revenue and gross expenses would be overstated by $2,934,434. Due to the complexity associated with revenue recognition for projects of this nature, going forward we recommend that management evaluate each new significant project on a case-by-case basis to determine whether revenue should be recognized on a gross or net basis.

Other Areas of focus

Area of focus	Matter	Our response and findings
Accounting estimates and disclosures	Management is responsible for determining significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of operations of TAF. The application of those policies often involves significant estimates and judgments by management. Examples of such estimates would include valuation of investments, valuation of loans receivables, useful life of capital assets and significant accrued liabilities.	Based on our audit procedures, we are of the opinion that the estimates made by management are reasonable.
Fraud and illegal acts	Our audit procedures were performed for the purpose of forming an opinion of the financial statements and although these procedures might bring possible fraudulent or illegal activities to our attention, our audit procedures are less likely to detect material misstatements arising from fraud or other illegal acts because such acts are usually accompanied by acts designed to conceal their existence.	We did not detect any fraudulent or illegal activities or material misstatements resulting from fraudulent or illegal activities during our audit.
Litigation proceedings	We are required to ensure that all litigation and contingencies are identified and appropriately accounted for in the financial statements.	We confirmed with management that they are not aware of any legal issues and we did not note any legal issues during our audit procedures. As a result, no correspondence was sent to the Organization's legal counsel.

Adjustments and uncorrected misstatements

Adjustments

Misstatements identified and adjusted in the consolidated financial statements by the Organization as a result of our audit procedures are as follows:

Increase (Decrease)	Balance sheet			Income effect
Description	Assets	Liabilities	Opening equity	Earnings
To eliminate net surplus for two external funding projects	$ -	$ 489,080	$ -	$ (489,080)
To reclass receipt of proceeds on sale of investments as cash rather than accounts receivable ($2,260,417 decrease in accounts receivable and $2,260,417 increase in cash)	-	-	-	-
Total adjusted misstatements	$ -	$ 489,080	$ -	$ (489,080)

Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

Summary of disclosure matters

Our audit identified the unadjusted non-trivial misstatements of disclosure matters noted below.

The consolidated statement of changes in fund balances is presented by each level of government so that users can see the amount of funds attributed to the Toronto Fund, Ontario Fund and Canada Fund. According to PSAS-GNPO, the statement of changes in fund balances should present changes based on types of restrictions. Management has decided to show the funds by restrictions in Note 16 in the financial statements instead in order to meet standards and provide more useful information to users on the face of the financial statements. Management does not believe it is a significant departure and has determined adjustment is not necessary. We concur with management's assessment that this presentation is acceptable.

Funds held in trust – Dan Leckie Fund in the amount of $35,075 (2023 - $33,246) and the corresponding cash amount should not be recognized in TAF's statement of financial position as TAF is holding in trust for someone else and does not belong to TAF. Management does not believe it is a significant departure and has determined adjustment is not necessary. This is considered to be an immaterial disclosure departure.

Per PS 3450, TAF should disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which it is exposed at the financial statement date. TAF has disclosed some information that allows users to evaluate nature and extent of risks but has not disclosed some quantitative analysis that is required. Management believes that users are able to understand financial risks irrespective of the missing quantitative analysis given all the other information made available to users. This is considered to be an immaterial disclosure departure.

The Canada Operating Fund is an operating fund that was provided by Federation of Canadian Municipalities (FCM) in 2020. The balance as at December 31, 2024 was $633,328 (2023 - $1,083,328). The funding is currently presented along with the Canada unrestricted fund balance; however, should be presented as a separate internally restricted fund on the statement of changes in net assets. Management believes that the amount as at December 31, 2024 is immaterial and the item is disclosed for the users to see. This is considered to be an immaterial disclosure departure.

Other reportable matters

Internal control

The audit is designed to express an opinion on the consolidated financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to Audit Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Please refer to Internal Control Deficiencies letter for a detailed explanation of internal control observations noted during our audit:

Technical updates – highlights

Accounting standards update

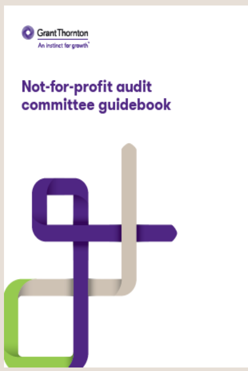
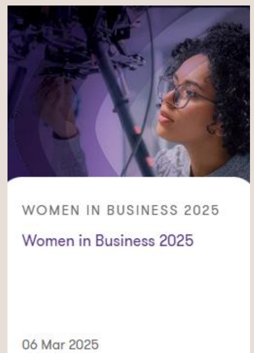
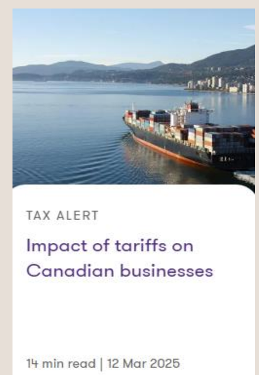
Details of the changes to accounting standards are included in Appendix C.

Assurance standards update

Details of the changes to auditing standards are included in Appendix D.

Thought leadership

We are leaders in the charity and not-for-profit accounting industry, and we pass our knowledge on to our clients through numerous “Thought Leadership” publications. We have included below our most recent publications.

	Not-for-profit audit committee guidebook		Women in Business 2025		Key cybersecurity questions answered
	How US tax policies could shape Canadian business decisions		Summary: Fall Economic Statement 2024		Impact of tariffs on Canadian businesses

Appendix A – Draft Management Representation Letter

April 29, 2025

Doane Grant Thornton LLP
200 King St W
Toronto, ON
M5H 3T4
Dear Sir/Madam:

We are providing this letter in connection with your audit of the consolidated financial statements of Toronto Atmospheric Fund ("the Organization") as of December 31, 2024, and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Toronto Atmospheric Fund in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, as of April 30, 2025, the following representations made to you during your audit.

Financial statements

1. The consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as at December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations, as agreed to in the terms of the audit engagement.

Completeness of information

2. We have made available to you all financial records and related data and all minutes of the meetings of Board of Directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

3. We have provided you with unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the Organization.

5. There were no restatements made to correct a material misstatement in the prior period consolidated financial statements that affect the comparative information.

6. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

7. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

9. We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

Fraud and error

10. We have no knowledge of fraud or suspected fraud affecting the Organization involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's consolidated financial statements communicated by employees, former employees, analysts, regulators or others.

12. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

13. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Recognition, measurement and disclosure

14. We believe that the methods, significant assumptions and data used by us in making accounting estimates and related disclosures are appropriate to achieve recognition, measurement and disclosure that are in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the consolidated financial statements.

16. All related party transactions have been appropriately measured and disclosed in the consolidated financial statements.

17. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

18. Any goodwill or intangibles on the books of the Organization are evaluated whenever events or changes in circumstances indicate the carrying amount may not be recoverable to determine whether or not they have been impaired, and an appropriate loss provision is provided in the accounts where there has been a permanent impairment.

19. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

20. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

21. All "off-balance sheet" financial instruments have been properly recorded or disclosed in the consolidated financial statements.

22. Any derivative financial instruments that are purchased for hedging purposes or speculative purposes. For any derivative financial instruments that the Organization has entered into we have used reasonable assumptions and methodologies in valuing these derivative financial instruments and have appropriately reflected all such transactions in the financial statements, including identifying and accounting for any embedded derivative financial instruments. We have provided to you the terms of transactions involving derivative financial instruments, including any side agreements, and confirm that all transactions involving derivative financial instruments have been conducted at arm's length and at fair value. The Organization complies with the documentation requirements of the Canadian public sector accounting standards for government not-for-profit organizations for derivative financial instruments that are conditions precedent to specified hedge accounting treatments.

23. With respect to environmental matters:

    a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;
    b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements; and
    c) commitments have been measured and disclosed, as appropriate, in the consolidated financial statements.

24. The Organization has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the Organization's assets nor has any been pledged as collateral.

25. We have disclosed to you, and the Organization has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

26. The Goods and Services Tax (GST) and Harmonized Sales Tax (HST) transactions recorded by the Organization are in accordance with the federal and provincial regulations. The GST and HST liability/receivable amounts recorded by the Organization are considered complete.

27. Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section 3461 *Employee Future Benefits* or Section 3462 *Employee Future Benefits* of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Part II – Accounting.

28. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the consolidated financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Other

29. We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Organization's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

Rob Wotten, Director of Finance

Julia Langer, Chief Executive Officer

Appendix B – Draft Independent auditor's report

Independent auditor's report

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To the Board of Directors for the
Toronto Atmospheric Fund

Opinion

We have audited the consolidated financial statements of the Toronto Atmospheric Fund (the "Organization"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations, change in fund balances and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Toronto Atmospheric Fund as at December 31, 2024, and its results of operations, its changes in fund balances, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government 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 the 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards for government 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 a 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 skepticism 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 consolidated 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.

Toronto, Canada
Month XX, 2025

Chartered Professional Accountants
Licensed Public Accountants

Appendix C – PSAS Accounting developments

<table>
<tr><th>Public Sector Accounting Standards</th><th>Effective date</th></tr>
<tr><td>

Section PS 1202 *Financial Statement Presentation*

New Section PS 1202 *Financial Statement Presentation* replaces Section PS 1201 *Financial Statement Presentation*.

The main features of the new Section include:

- Changes to the statement of financial position to present financial assets, non-financial assets, total assets, financial liabilities, non-financial liabilities total liabilities and net assets/net liabilities
- Separate statement of changes in net assets or net liabilities (formerly known as accumulated surplus) by required categories
- The addition of a statement of net financial assets or net financial liabilities that presents a revised net financial assets or net financial liabilities (formerly known as “net debt”) calculation
- The option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities
- Ability to present an amended budget when there is an election or the majority of the governing body of a government organization is newly elected or appointed
- The requirement to provide a subtotal prior to financing activities in the statement of cash flow
- Guidance on assessing the going concern assumption

As a result of the issuance of the new Section, various Sections and Guidelines of the Handbook have been amended to include references to the Section. The impacted Sections and Guidelines include:

- PS 1300 *Government Reporting Entity*
- PS 2120 *Accounting Changes*
- PS 2500 *Basic Principles of Consolidation*
- PS 2510 *Additional Areas of Consolidation*
- PS 2601 *Foreign Currency Translation*
- PS 3041 *Portfolio Investments*
- PS 3060 *Interest in Partnerships*
- PS 3070 *Investments in Government Business Enterprises*
- PS 3100 *Restricted Assets and Revenues*
- PS 3160 *Public Private Partnerships*
- PS 3230 *Long-Term Debt*
- PS 3250 *Retirement Benefits*
- PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*
- PS 3260 *Liability for Contaminated Sites*
- PS 3280 *Asset Retirement Obligations*
- PS 3300 *Contingent Liabilities*
- PS 3310 *Loan Guarantees*
- PS 3400 *Revenue*
- PS 3410 *Government Transfers*
- PS 3430 *Restructuring Transactions*
- PS 3450 *Financial Instruments*
- PS 4200 *Financial Statement Presentation by Not-for-Profit Organizations*
- PSG-2 *Leased Tangible Capital Assets*
- PSG-4 *Funds and Reserves*
- PSG-5 *Sale-Leaseback Transactions*

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Fiscal years beginning on or after April 1, 2026.

Earlier adoption is permitted *only if* the Conceptual Framework is also adopted at the same time.

Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

</td></tr>
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Public Sector Accounting Standards	Effective date
Conceptual Framework for Financial Reporting in the Public Sector PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces Sections PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The new Conceptual Framework includes: • Characteristics of public sector entities • Objectives of financial reporting • Primary users of financial reporting and their expectations • Role of financial statements • Foundations and objectives of financial statements • Qualitative characteristics of information in financial statements • Qualitative characteristics of information in financial statements and related considerations • Definitions of elements • Criteria of general recognition and derecognition; and, • Concepts of general measurement and presentation As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the Handbook have been amended to include references to the new Conceptual Framework, add/clarify key definitions that are consistent with the Conceptual Framework, and/or remove references to qualitative characteristics that are no longer qualitative characteristics in the new Conceptual Framework. These Sections include: • Introduction to the Public Sector Accounting Handbook (formerly the Introduction to the Public Sector Accounting Standards) • PS 1150 *Generally accepted Accounting Principles* • PS 1201 *Financial Statement Presentation* • PS 1300 *Government Reporting Entity* • PS 2100 *Disclosure of Accounting Policies* • PS 2120 *Accounting Changes* • PS 2130 *Measurement Uncertainty* • PS 2200 *Related Party Transactions* • PS 3150 *Tangible Capital Assets* • PS 3200 *Liabilities* • PS 3210 *Assets* • PS 3400 *Revenue* • PS 3430 *Restructuring Transactions* • PS 3450 *Financial Instruments; and* • PS 4230 *Capital Assets Held by Not-for-Profit Organizations* The Conceptual Framework will be applied prospectively.	Fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted.
Section PS 3160 *Public Private Partnerships* New Section PS 3160 *Public Private Partnerships* establishes standards on how to account for public private partnerships between public and private sector entities where infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use and operate and/or maintain the infrastructure. Infrastructure typically includes items such as tangible capital assets (i.e., complex network systems), but may also include items that are intangible in nature. The main features of the new Section are: • The infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is also recognized when the public sector entity recognizes an asset • The infrastructure asset and corresponding liability are initially measured at the cost of the infrastructure asset • Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset • Subsequent measurement of the financial liability is at amortized cost using the effective interest method. When all or a portion of the liability represents a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement (as performance is achieved) Retrospective or prospective application is permitted.	Fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

Public Sector Accounting Standards	Effective date
Section PS 1000 *Financial statement concepts,* Section 1201 *Financial Statement Presentation,* and PSG-8 *Purchased intangibles* Section PS 1000 has been amended to remove the prohibition of recognition of purchased intangibles in public sector financial statements. Consequentially, Section PS 1201 has also been amended to remove disclosure requirements for unrecognized purchased intangibles since entities can now recognize purchased intangibles in their financial statements. Entities still reporting in accordance with Section PS 1200 *Financial Statement Presentation* can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, PSG-8 *Purchased intangibles*, has been issued to explain the scope of the intangibles that are allowed to be recognized in the financial statements given this amendment to Section PS 1000. However, it is important to note that no further recognition, measurement, disclosure and presentation guidance has been provided. The main features of PSG-8 include: • A definition of purchased intangibles (which does not include those received through a government transfer, contribution or inter-entity transaction) • Examples of items that are not purchased intangibles • References to other guidance in the Handbook on intangibles • Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles Retrospective or prospective application is permitted.	Fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.
Section PS 3400 *Revenues* New Section PS 3400 *Revenue* establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are: • Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer • Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer • Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset	Fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

Strategic plan for not-for-profit organizations in the public sector

Since 2012, government not-for-profit organizations (GNPOs) have been required to adopt PSAS but were given the option of applying the specific GNPO accounting standards (PS 4200 series) in PSAS. Some GNPOs have utilized those standards, while others have not. The PSAB recognized that a “one-size-fits-all” approach may not be appropriate for all stakeholders. In March 2022, having deliberated feedback from two Consultation Papers, the PSAB decided to incorporate the PS 4200 series, with potential customizations, into PSAS as its strategy for GNPOs. This solution was defined as reviewing and amending, as appropriate, the PS 4200 series guidance and incorporating it within the PSA Handbook available for all public sector entities to apply, if appropriate. That is, the existing standards in the PS 4200 series will be reviewed to determine if they should be retained and added to PSAS. This may involve amending standards to update them and ensuring consistency with PSAB’s conceptual framework. The PSAB believes this strategy will likely:

- improve the comparability and understandability of financial statements, as all public sector entities would be applying a common reporting model;
- provide the PSAB with a tool and some flexibility to address matters warranting a different presentation or accounting treatment for GNPOs when appropriate; and
- make some of the guidance currently found only in the PS 4200 series available to all public sector entities with similar transactions, improving comparability and consistent application of accounting standards.

The implementation plan for this strategy was approved at its June 2022 meeting, and an overview of the implementation plan was presented at its December 2022 meeting. The current ordering of standard level projects will start with tangible capital assets as well as contributions (including endowments), then controlled and related entities, finishing with the reporting model. The capital asset project will focus on proposing amendments to Section PS 3150 *Tangible Capital Assets*, as a result of reviewing Section PS 4230 *Capital Assets Held by Not-for-Profit Organizations* and Section PS 4240 *Collections Held by Not-for-Profit Organizations*.

In December 2023, the Public Sector Accounting Board ("PSAB") issued an Exposure Draft entitled *Tangible Capital Assets*. The Exposure Draft proposes amendments to PS 3150 *Tangible Capital Assets*, resulting from a review of PS 4230 and PS 4240 as part of its GNPO strategy implementation plan. The Exposure Draft proposes the following:

- Amending the definition of "tangible capital asset" in paragraph PS 3150.05(a) for only a minor clarification.
- Retaining the emphasis on recognizing the complete stock of tangible capital assets in Section PS 3150.
- Not recognizing works of art, historical treasures and collections as outlined in Section PS 3150.
- Adding guidance to Section PS 3150 to
    - identify a "collection."
    - clarify the accounting treatment when a tangible capital asset is purchased at substantially below fair value.
    - clarify the accounting treatment for contributed materials and labour in determining the cost of a constructed tangible capital asset.
- Adding more disclosures to Section PS 3150 to convey the importance of works of art, historical treasures and collections.
- Removal of Sections PS 4230 and PS 4240 as they will no longer apply once Section PS 3150 is adopted.

The proposed effective date of the changes is for fiscal years beginning on or after April 1, 2029, with early adoption permitted. The PSAB is currently deliberating the responses.

Appendix D – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
Issuance of CSQM 1 ***Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,*** **CSQM 2** ***Engagement Quality Reviews*** **and revised CAS 220** ***Quality Management for an Audit of Financial Statements*** Auditors must effectively manage audit quality, both at the firm level and the engagement level. The IAASB recognised a need to strengthen standards addressing quality control and the AASB implemented similar changes to those made at the international level. In January 2021, the AASB unanimously approved the suite of quality management standards. CSQM 1 introduces a new approach to “managing quality”. Quality management is intended to be proactive in nature and to be a continuous process. Implementing the new standard requires firms to analyse and enhance many of their internal processes to achieve effective quality management. This standard replaces the extant standard, CSQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements CSQM 2 deals specifically with the topic of engagement quality reviews (EQRs), which are performed by firms to obtain an objective evaluation of the significant judgments made by the engagement team and the conclusions reached. The standards setters recognized the importance of EQRs and noted that many stakeholders (including oversight bodies) were concerned that the requirements of CSQM 1 with respect to EQRs were not sufficiently robust. As a result, CSQM 2 was issued. CSQM 1 deals with the topic of when an EQR should be performed, while CSQM 2 covers the appointment and eligibility considerations related to the person performing the EQR and the performance and documentation requirements. CAS 220 was revised to clarify and strengthen the key elements of quality management at the engagement level by: • emphasizing that the engagement partner is responsible for managing and achieving quality at the engagement level • clarifying the engagement partner’s responsibilities, and acknowledging the engagement partner can assign certain tasks/procedures to members of the engagement team who are appropriately skilled or suitably experienced in managing and achieving quality • modernizing the standard for the evolving environment	CSQM 1 is effective for audits or reviews of financial statements or other assurance engagements as of December 15, 2022 and related services engagements as of December 15, 2023. CSQM 2 is effective for audits or reviews of financial statements with periods beginning on or after December 15, 2022, other assurance engagements beginning on or after December 15, 2022 and related services engagements beginning on or after December 15, 2023. CAS 220 is effective for audits of financial statements for periods beginning on or after December 15, 2022.
Revisions to CAS 600 ***Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*** Many audits today are of group financial statements, also known as group audits, and these types of engagements can be very challenging. In April 2020, the International Auditing and Assurance Standards Board (IAASB) issued an Exposure Draft proposing changes to ISA 600 and related ISAs with the goals of strengthening the auditor’s approach to planning and performing group audits and clarifying the interaction of ISA 600 with other ISAs and issued the final standard in 2022. The AASB issued the equivalent Canadian standard, which included the same revisions as the ISA with no Canada-specific amendments. The changes made to the standard were designed to: • Clarify the scope and applicability of the standard • Emphasise the importance of exercising professional skepticism throughout the group audit • Clarify and reinforce that all CASs need to be applied in a group audit situation • Focus the group engagement team’s attention on identifying and assessing the risks of material misstatement of the group financial statements and emphasise the importance of designing procedures to respond to those risks • Reinforce the need for robust communication between the group engagement team and component auditors Include new guidance and considerations relating to testing common controls, addressing access restrictions, establishing materiality and documenting group audits.	Periods beginning on or after December 15, 2023.

Canadian Exposure Drafts issued by the AASB	Effective date
Potential revisions to CAS 500 *Audit Evidence* The current audit evidence standard was issued many years ago. Since then, developments in technology have affected how entities operate and process information and how audits are performed. In December 2020, the IAASB initiated a project to revise the current standard to respond to changes in the business environment. The Exposure Draft proposes several key changes: • To respond to changes in the information auditors use, including the nature and source of the information, a set of attributes has been developed to enhance the auditor's principle-based judgments related to audit evidence in a wide variety of circumstances. Enhancements and clarifications have also been made regarding the auditor's role when using information prepared by management's expert • To modernise the standard and support a principles-based approach that recognises the evolution in technology, new application material has been added, including explanations of how automated tools may affect auditor bias and examples that recognise the use of technology by the entity or the auditor • To foster professional skepticism when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence, language has been added to emphasise the importance of maintaining professional skepticism at various stages, such as when attempting to ensure that audit procedures are being designed and performed in an unbiased manner	The comment period for the Exposure Draft ended on March 15, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2025, but the exact effective date will depend on when the standard is approved.
Potential revisions to CAS 570 *Going Concern* Auditors are required to obtain sufficient appropriate audit evidence on the appropriateness of management's use of the going concern basis of accounting and conclude on whether a material uncertainty exists in relation to going concern. Financial statement users have raised questions about how much auditors should be able to detect from their audit procedures in this area, and what is communicated to users about the entity's ability to continue as a going concern. This led the IAASB to initiate a project to revise the standard. In April 2023, the IAASB issued its Exposure Draft and the AASB has issued a corresponding Exposure Draft. The Exposure Draft proposes several key changes, which include: • Defining material uncertainty related to going concern • Enhancing the risk identification and assessment requirements so they are consistent with those set out in CAS 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement* • Enhancing the auditor's evaluation of management's going concern assessment, including requirements to support the auditor's application of professional skepticism • Adding a requirement for the auditor to request management to extend its going concern assessment of the entity to cover at least 12 months from the date of approval of the financial statements if management has not already done so • Enhancing the auditor's consideration of information related to management's going concern assessment that becomes available to the auditor after the date of the auditor's report but before the date the financial statements are issued • Adding requirements to enhance communications about going concern in the auditor's report	The comment period for the Exposure Draft ended on July 31, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.
Potential revisions to CAS 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* High quality audits contribute to the efficiency of capital markets and financial stability. In recent years, corporate failures and scandals have brought the topic of fraud to the forefront and led to questions from stakeholders about the role and responsibilities of the auditor relating to fraud in an audit of financial statements. This led the IAASB to initiate a project to revise the standard. In February 2024, the IAASB issued its Exposure Draft and the AASB has issued a corresponding Exposure Draft. The Exposure Draft proposes several key changes, which include: • Clarifying the roles and responsibilities of the auditor with respect to fraud • Establishing more robust requirements if fraud or suspected fraud is identified • Reinforcing the importance of exercising professional skepticism in fraud-related audit procedures • Strengthening communications through the audit with management and those charged with governance about matters related to fraud • Adding transparency on fraud-related responsibilities and procedures in the auditor's report	The comment period for the Exposure Draft ended on May 6, 2024. It is expected that the effective date for the revised standard will be for periods beginning in 2026 but the exact effective date will depend on when the standard is approved.

Canadian Exposure Drafts issued by the AASB	Effective date
Proposed Canadian Standard on Sustainability Assurance (CSSA) 5000, *General Requirements for Sustainability Assurance Engagements* In September 2022, the IAASB approved a project proposal to develop a new overarching standard for sustainability assurance engagements. In January 2023, the AASB approved a project proposal to concurrently adopt this international standard with any potential additional Canadian amendments, as a first of its kind Canadian Standard on Sustainability Assurance (CSSA). CSSA 5000 will not be a financial statement audit standard, but rather will serve as a comprehensive, standalone standard suitable for sustainability assurance engagements. It will apply to sustainability information reported across any appropriate sustainability topic, prepared according to any suitable framework, including the recently released IFRS Sustainability Disclosure Standards S1 and S2. The proposed standard is profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners who meet the relevant ethical and quality management requirements, and will apply to both limited and reasonable assurance engagements.	The comment period for the Exposure Draft ended on November 6, 2023. It is expected that the effective date will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.