

Heritage Toronto

For the year ended December 31, 2025

Report to Board of Directors
Audit strategy and results

Purpose of report and scope

The purpose of this report dated March 19, 2026 is to engage in an open dialogue with you regarding our audit of the financial statements of Heritage Toronto (the "Organization") for the year ended December 31, 2025. This communication will assist you in understanding our overall audit strategy and results. The information in this document is intended solely for the information and use of Audit and Finance Committee, Board of Directors and management and should not be distributed to other parties.

The purpose of our audit, our responsibilities and your responsibilities were communicated to you in our signed engagement letter dated August 23, 2023.

Audit approach

Our audit approach involves identifying and assessing risks of material misstatement of the financial statements, whether due to fraud or error. Misstatements, including omissions, are material if they could reasonably be expected to influence the economic decisions made by users based on the financial statements. Ultimately, materiality is a measure of the significance of items to financial statement users, taking both quantitative and qualitative considerations into account. Without this concept, auditors would need to verify every transaction, which would not generally be practical, useful or cost effective. We apply a materiality threshold as a basis for focusing our audit work and, ultimately, to determine what matters will be brought to your attention and what adjustments need to be made to the financial statements.

The greater the risk of material misstatement associated with an area of the financial statements, the greater the audit emphasis placed on it in terms of verification. Where the nature of a risk is such that it requires special audit consideration, it is classified as a significant risk.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with you.

Status of our audits

We have substantially completed our audit of the 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 are outstanding as at March 19, 2026:

- Receipt of signed management representation letter
- Approval of the financial statements by Board of Directors
- Final inquiries regarding subsequent events

Auditor's report modifications

Our auditor's report contained the following modifications:

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2025 and 2024, current assets as at December 31, 2025 and 2024, and net assets as at January 1 and December 31 for both the 2025 and 2024 years.

Audit results

Area of focus	Matter, response and findings
Significant risk: fraud via management override of internal control	Per the Canadian auditing standards, this is a presumed significant risk. The risk relates to management's ability to override the controls surrounding financial reporting in order to report improved financial results, manipulate particular financial statement areas, or perpetrate other financial fraud. Our audit procedures included testing journal entries, testing and analyzing significant accounting estimates for evidence of management bias, and reviewing significant transactions outside the normal course of business. Our audit procedures did not uncover any significant issues.
Significant risk: fraud in revenue recognition	Per the Canadian auditing standards, there is a presumed significant risk of fraud in revenue recognition. The risk is presumed to apply because past history indicates that, in financial statement frauds, revenue is an area that is commonly manipulated. Our audit procedures included testing revenue-related journal entries, determining that revenue recognition policies were reasonable based on the accounting standards followed by the Organization, and were consistently applied. Our audit procedures did not uncover any significant issues.

Area of focus	Matter, response and findings
Accounting practices	As part of our audit, we considered the Organization's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. We noticed that both agency trust funds liability and deferred revenue have old balances that have not changed for a number of years. Per discussion with management, there may no longer be an obligation from the Organization due to circumstances outside the control of the Organization. We recommend management to assess all old agency trust fund and deferred revenue balances to determine if the Organization still has an obligation. Ultimately, whether the balances remain appropriately presented as liabilities on the Statement of Financial Position or should be recognized as revenue. Additionally, we note that expenses in the statement of operations and changes in fund balance are disclosed by both nature and function. This is considered a disclosure deficiency; however management does not believe this is a signature departure and has determined adjustment is not necessary.

We are required to report to you all significant findings from our audit, including identified or suspected fraud, non-compliance with laws or regulations, unreasonable requests by management not to send confirmation requests, major adjustments to opening balances, related party matters, going concern issues and significant audit difficulties encountered. Our audit did not identify any significant findings other than those included in the table above.

Uncorrected misstatements

	Increase (Decrease)			Statement of financial position		Income effect	
Description	Assets		Liabilities		Net assets	Excess of revenue over expenditures	
To recognize OCH documentary revenue as Heritage Toronto is the principal on such agency relationships and should be recognizing related revenue.	\$	-	\$	-	\$	-	\$6,858
To recognize OCH documentary expense as Heritage Toronto is the principal on such agency relationships and should be recognizing related expense.		-		-		-	(6,858)
Total uncorrected misstatements	\$	-	\$	-	\$	-	\$ -

Our audit identified the unadjusted non-trivial misstatements noted in the table above, which have not been adjusted because you consider them to be immaterial, both individually and in aggregate.

Other matters

Internal control

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. If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to Board of Directors those deficiencies

we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Please refer to Appendix A for a detailed explanation of internal control observations noted during our audit.

Independence

We have a rigorous process where we continually monitor and maintain our independence. We have identified no information regarding our independence that in our judgment should be brought to your attention.

Technical updates

Refer to Appendix B for Accounting updates and Appendix C for Audit updates.

Contact information

If you would like to speak to Doane Grant Thornton about anything in this report or about the audit, please feel free to contact the Principal or the Manager on the file:

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Appendix A - Internal control deficiencies

A deficiency in internal control exists where the design, implementation, operation or absence of a control means that internal controls are unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis. The Canadian Auditing Standards require that, where we identify internal control deficiencies during an audit, we assess their importance and severity and communicate them to management and those charged with governance, as appropriate. Deficiencies that are of sufficient importance to merit the attention of those charged with governance are described as "significant deficiencies".

The matters reported below are limited to those deficiencies we identified during the audit that we considered to be of sufficient importance to communicate. Had we performed more extensive procedures on internal control, including procedures subsequent to March 19, 2026, we might have identified more deficiencies or reached different conclusions about the deficiencies reported.

Significant deficiencies

Our audit identified the following significant deficiencies in internal control:

Significant deficiency	Description of deficiency and management's response
Lack of segregation duties	In common with Organizations with a small accounting team, we noted several issues surrounding segregation of duties. The following functions result in the risk of misappropriation of assets and creates a risk over the completeness of revenues. It was noted that the Operations Coordinator and the Executive Director have admin access to various applications and are involved in financial reporting. We would recommend, if feasible, that the admin log be reviewed periodically by the Board of Directors to ensure staff are not inappropriately utilizing the admin access. For mail opening, we note that in the current year the Operations Coordinator began opening mail with the Executive Director or another manager; however, this process is not documented. In addition, the Operations Coordinator deposits cheques and cash with no supervision. She also enters revenue into eTapestry. Management believes that controls are sufficient given the size and complexity of the entity. Cash transactions in the Organization in 2025 were insignificant and management plans to continue to limit any cash transactions as well as implement controls mentioned above to reduce the risk of misappropriation of assets. Management believes that controls are sufficient given the size and complexity of the entity.

Appendix B – PSAS

Accounting developments

Public Sector Accounting Standards updated

Effective date

Amendments to Section PS 3150 *Tangible Capital Assets*

This Section has been amended as part of the implementation of the Government Not-for-Profit (GNPO) Strategy, which involves incorporating the PS 4200 series guidance into PSAS, with potential modifications where appropriate.

The primary revisions to this Section include:

- a criterion added to the definition of a tangible capital asset
- a new definition of a collection, providing guidance on how collections are distinguished from other tangible capital assets
- new disclosure requirements for works of art, historical treasures, and collections to ensure greater transparency regarding their nature and significance
- additional guidance for circumstances in which an entity acquires a tangible capital asset at an amount significantly lower than its fair value, and
- new guidance for instances in which an entity receives contributed materials or contributed labour in the construction or development of a tangible capital asset.

Under the GNPO Strategy, related Sections PS 4230 *Capital Assets Held by Not-for-Profit Organizations* and PS 4240 *Collections Held by Not-for-Profit Organizations* will be withdrawn as the subject matter is now addressed within the revised Section PS 3150. Those sections will remain in effect until Section PS 3150 is adopted.

For GNPOs that apply the PS 4200 series, the amendments must be applied retroactively with restatement of prior periods to conform to the presentation requirements for comparative financial information in Section PS 3150.

For public sector entities that have not applied the PS 4200 series, the amendments must be applied retroactively with restatement of prior periods to conform to the presentation requirements for comparative financial information in Section PS 3150, except for the revisions related to the acquisitions of tangible capital assets at substantially below fair value, and inclusion of contributed materials or labour in the cost of a constructed or developed asset. These revisions will be applied prospectively to new transactions occurring on or after the date of adoption.

Fiscal years beginning on or after April 1, 2030.

Earlier adoption is permitted.

Public Sector Accounting Standards updated

Effective date

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:

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

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.

Public Sector Accounting Standards updated

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*.

Fiscal years beginning on or after April 1, 2026.

Earlier adoption is permitted.

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.

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, which is available for all public sector entities to apply. That is, the existing standards in the PS 4200 series will be reviewed to determine if any guidance 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 in 2022. The current project is dealing with contributions (including endowments); the PSAB will then consider controlled and related entities, finishing with the reporting model.

Appendix C – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
<i>Revisions to CAS 570 Going Concern</i> 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 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. In response, the International Auditing and Assurance Standards Board (IAASB) issued a revised standard incorporating several key changes and, in June 2025, the Auditing and Assurance Standards Board (AASB) issued the equivalent Canadian standard with no Canadian-specific amendments. Key changes to the standard included: • 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) <i>Identifying and Assessing the Risks of Material Misstatement</i> • 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.	Periods beginning on or after December 15, 2026.

Canadian Auditing Standards (CASs) and other Canadian Standards approved by the AASB but not issued	Effective date
Revisions to CAS 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> 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 June 2025, the IAASB approved its final standard, which will be issued in September 2025. Changes 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	Periods beginning on or after December 15, 2026.

Canadian Exposure Drafts issued by the AASB	Effective date
Proposed Canadian Standard on Sustainability Assurance (CSSA) 5000, <i>General Requirements for Sustainability Assurance Engagements</i> 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). In April 2025, the AASB issued its Re-exposure Draft on Canadian amendments related to indigenous matters with a comment deadline of July 18, 2025. 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 effective date will be determined when the standard is finalized and approved.