Doane Grant Thornton

enCompass Community Safety Agency

For the year ended March 31, 2025

Report to the Audit Committee
Audit results

May 21, 2025

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Appendices

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 financial statements of enCompass Community Safety Agency (the "Agency") for the year ended March 31, 2025. 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 Board of Directors, Audit Committee, and management. 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	Timing
Discussions and communications regarding planning	March 2025
Report on the March 31, 2025 financial statements	May 2025
Communication of audit results	May 2025

Status of our audit

We have substantially completed our audit of the financial statements of the Agency 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 May 21, 2025:

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

We have successfully executed our audit strategy in accordance with the plan presented to the Audit Committee on March 5, 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 5, 2025.

Audit risks and results

We highlight our significant findings in respect of significant risks and accounting practices.

Significant risks

Area of focus	Matter	Our response and findings
Grant revenue, deferred contributions – operations, & deferred capital contributions	**There is a presumed risk of fraud in revenue.** The risk primarily relates to revenue recognized under grant revenue and deferred contributions.	• Review of contributions received during the year to determine appropriate accounting treatment within the selected accounting policies. • Testing of appropriateness of deferred contributions – operations and deferred capital contributions through analytical review and tests to supporting documentation. Based on the procedures performed, we concluded the grant revenue, deferred contributions – operations, and deferred capital contributions are not materially misstated.
Fraud risk from management override	**This is a presumed fraud risk.** The risk is related to management override of controls, specifically related to journal entries.	• We address this risk through the completion of journal entry testing. Based on the procedures performed over journal entries, no indications of management override were identified.

Accounting practices

Area of focus	Matter	Our response and findings
Accounting estimates	Amortization of capital and intangible assets.	• Management uses judgement in assessing the estimated useful life of capital assets and intangible assets and therefore in determining the amounts for the annual amortization provision. • Total amortization expense for the current year is $209,619 (2024 - $213,728). • We analyzed the calculation of amortization and determined it to be accurate and in accordance with the expected useful lives as noted in the accounting policies for capital assets. There were no indications noted that the estimates made in prior years were not appropriate.

Adjustments and uncorrected misstatements

Adjustments

We have no adjusted misstatements to report.

Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

Other reportable matters

Internal control

The audit is designed to express an opinion on the 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 the Audit Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Based on the results of our audit, we did not identify any reportable observations.

Cybersecurity

Cybersecurity is the practice of protecting computers, data and other electronic systems from malicious attacks. As organizations become increasingly dependent on digital technology, the opportunities for cyber-criminals continue to grow. The explosion of data generated by digital technology, combined with a new degree of connectedness among organizations, means there is ripe opportunity for the technologically savvy and criminally minded to take advantage.

A breach in cybersecurity could create a reputational risk to you, as well as resulting in financial liabilities. As part of our risk assessment and planning procedures, we inquire of management regarding whether any cybersecurity breaches have been detected and, if we become aware of a breach or specific cybersecurity risk, we consider the impact to the audit; however, a financial statement audit is not designed to provide assurance on cybersecurity and should not be relied upon to identify cybersecurity risks or breaches.

In Appendix C, we discuss the general nature of cybersecurity threats and how organizations can go about improving cybersecurity.

Association with other documents (Annual Report)

As part of our audit procedures, we will consider, but not audit, information other than the annual financial statements that management has prepared and included in the Annual Report.

Technical updates – highlights

Accounting

Accounting standards issued by the Accounting Standards Board that may affect the Agency in future years are included in Appendix E. If you have any questions about these changes, we invite you to raise them during our next meeting. We will be pleased to address your concerns.

Assurance

Assurance standards issued by the AASB that may change the nature, timing and extent of our audit procedures on the Agency and our communication with the Audit Committee are included in Appendix D. If you have any questions about these changes, we invite you to raise them during our next meeting. We will be pleased to address your concerns.

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Appendix A – Draft Independent Auditor's Report

Doane Grant Thornton LLP
Suite 601, Rice Howard Place Tower 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8

T +1 780 422 7114
F +1 780 426 3208

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To the Members of enCompass Community Safety Agency

Opinion

We have audited the financial statements of enCompass Community Safety Agency ("the Agency") (formerly Edmonton John Howard Society), which comprise the statement of financial position as at March 31, 2025, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of enCompass Community Safety Agency as at March 31, 2025, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Schedule of Operations by Program on page 16 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Information Other Than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the annual report.

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

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

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The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency 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.

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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.

Edmonton, Canada
June XX, 2025

Chartered Professional Accountants

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Appendix B – Draft management representation letter

DATE

Doane Grant Thornton LLP
601 Rice Howard Place 2
10060 Jasper Avenue NW
Edmonton, AB T5J 3R8

Dear Madam:

We are providing this letter in connection with your audit of the financial statements of enCompass Community Safety Agency Society ("the Society") as of March 31, 2025, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of enCompass Community Safety Agency in accordance with Canadian accounting standards for not-for-profit organizations.

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with Canadian accounting standards for 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 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 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 financial statements would influence the decision of a reasonable person relying on the financial statements.

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

Financial statements

1. The financial statements referred to above present fairly, in all material respects, the financial position of the Society as at March 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for 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 directors and committees 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 Society 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 financial statements.

5. There were no restatements made to correct a material misstatement in the prior period 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 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 Society involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Society's 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.

Recognition, measurement and disclosure

13. 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 accounting standards for not-for-profit organizations.

14. 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 financial statements.

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

16. The nature of all material measurement uncertainties has been appropriately disclosed in the 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 financial statements.

17. 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 financial statements.

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

19. All “off-balance sheet” financial instruments have been properly recorded or disclosed in the financial statements.

20. 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 financial statements; and

    c) commitments have been measured and disclosed, as appropriate, in the financial statements.

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

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

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

24. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the 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

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

26. We understand that the Canadian Auditing Standards require you to perform certain procedures with respect to Other Information. To enable you to complete this work, we will provide you with the final version of our annual report as soon as it is available and before it is issued by us.

Yours very truly,

DeAnn Hunter, Chief Executive Office

Clarissa Robinson, Director of Finance

Appendix C – Cybersecurity

Cybersecurity is the practice of protecting computers, data, networks and other electronic systems from malicious attacks. Below, we summarize the cybersecurity threat and how we can help you manage that threat.

Cybersecurity risk	How Doane Grant Thornton can help
As organizations become increasingly dependent on digital technology, storing valuable information in multiple places, the opportunities for cyber criminals continue to grow. Cyber-attacks today are more focused, skilful and ambitious, and geographical borders are meaningless. Regulators and stakeholders, including customers, are increasing the pressure on organizations to manage these risks. In order to properly protect themselves, organizations must understand what weaknesses attackers could exploit, how to respond to security incidents and how areas such as access to confidential data should be managed. Management should continue to respond to these risks by: • Assessing the people, processes and technology associated with their cybersecurity program, including management of the program, data security, cybersecurity awareness and training, and assessment of external risks • Improving the cybersecurity function by remediating identified vulnerabilities, developing new strategies, enhancing existing facilities, and establishing policies, controls and processes • Developing a cybersecurity breach or attack response plan, which involves providing training for the people who will execute the response, determining the procedures that will be followed, and securing external resources to support the process as needed	Raymond Chabot Grant Thornton, a Grant Thornton member firm based in Quebec, has a specialist cybersecurity division, VARS Corporation (VARS), that is at the forefront of the security industry. VARS can help with: • Providing an integrated fully managed solution for securing your organization's digital environment. With VARS you will benefit from the most advanced cybersecurity solutions in the world, including solutions such as Terranova, Secure Exchanges, Perception Point, Cynet and Cyolo. VARS offers a customizable solution that is designed to meet all your cybersecurity needs, from advanced email security to dark Web analysis. • 24/7 workstation and server monitoring Regardless of the size of your organization, VARS provides 24/7 access to a team of cybersecurity experts at no additional cost and offers comprehensive real-time protection of your environments using the best detection tools (XDR). This solution includes the support of a specialized incident response teams that can intervene at any time, 365 days of the year. • Virtual Chief Information Security Officers (CISOs) VARS's virtual CISOs can empower and protect your organization without you having to recruit a specialist or hire a full-time employee. They can help you to set priorities for investments and implement a tailored protection plan that fully meets your needs and situation. The services and experiences described above are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas. However, due to independence restrictions that apply to the entity, we may be unable to provide certain services as our ability to do so varies depending on individual facts and circumstances. If you would like to discuss cybersecurity risks in more detail or learn more, we would be happy to arrange a meeting. Additional information about VARS is available on the VARS website here: www.varscorporation.com.

Appendix D – Auditing developments

Canadian Exposure Drafts issued by the AASB	Effective date
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.

Appendix E – ASNPO Accounting developments

Accounting – Standards issued by CPA Canada	Effective date
Preface to the CPA Canada Handbook – Accounting The CPA Canada Handbook (the CPA Handbook) is structured to accommodate the different standards that apply to the different categories of organizations. • Preface to the CPA Canada Handbook – Accounting • Part I – International Financial Reporting Standards (IFRS) • Part II – Accounting Standards for Private Enterprises (ASPE) • Part III – Accounting Standards for Not-for-Profit Organizations (ASNPO) • Part IV – Accounting Standards for Pension Plans Not-for-profit organizations (NPOs) who report under Part III of the CPA Handbook are also required to follow the standards in Part II of the CPA Handbook for those areas that are not addressed in Part III of the CPA Handbook.	
Accounting Guideline (AcG) 21 *Accounting for Life Insurance Contracts with Cash Surrender Value* and related amendments This new Guideline provides guidance on how (1) to recognize and measure life insurance policies with a cash surrender value (CSV), and (2) how to present and disclose policy premiums and changes in the CSV. The primary features of AcG 21 require an enterprise to: • recognize the CSV of a life insurance policy as an asset when it becomes the owner and beneficiary of the underlying insurance contract • measure the CSV at the amount that would be immediately realized upon termination of the policy (prior to the death of the insured), and • present the difference between the aggregate policy premiums and the aggregate change in CSV for the period on a net basis As a result of new AcG 21, the following Sections were amended as follows: • Section 4410 *Contributions – Revenue recognition* The Section has been amended with an exception that will no longer require NPOs to measure contributions of a life insurance policy with cash surrender value at fair value • Section 1501 *First-time Adoption by NPOs* The Section has been amended to permit a first-time adopter to apply the transitional provisions in AcG 21 • Section 4449 *Combinations by NPOs* This Section has been amended to provide an exception to the requirement to measure identifiable assets at their acquisition-date fair values for life insurance policies with cash surrender value.	Fiscal years beginning on or after January 1, 2026. Early application is permitted.

Accounting – Standards issued by CPA Canada	Effective date
Section 3400 *Revenue* – upfront non-refundable fees or payments The Section has been amended to indefinitely defer the effective date of previous amendments related to upfront non-refundable fees or payments. The new amendments also require the disclosure of the nature and amount of upfront non-refundable fees or payments recognized in revenue upon entering into the arrangement. The disclosure requirement is effective for fiscal years beginning on or after January 1, 2025, with earlier application permitted.	Fiscal years beginning on or after January 1, 2025. Early application is permitted.
Accounting Guideline (AcG) 20 *Customer's Accounting for Cloud Computing Arrangements* This new Accounting Guideline provides guidance on how to account for a customer's expenditures in a cloud computing arrangement and, how to determine whether a software intangible asset exists in the arrangement. The key objectives of the accounting guideline are to: • clarify that an enterprise must allocate the arrangement consideration to significant separable elements in a cloud computing arrangement on a rational and consistent basis • clarify that an enterprise must apply Section 3064 *Goodwill and Intangible assets* to account for any significant elements unless the elements are tangible assets or right-to-use assets • provide a simplified approach to allow an enterprise to expense expenditures (other than those related to tangible capital assets or rights to use a tangible capital asset) as they are incurred, treating them as a supply of services • provide factors to consider when determining whether the arrangement includes a software intangible asset or is software service; and • provide an accounting policy choice to either: a) capitalize directly attributable expenditures on implementation activities when the arrangement is a software service; or b) expense such expenditures as incurred	Fiscal years beginning on or after January 1, 2024. Early application is permitted.

Proposed new contributions revenue recognition guidance in ASNPO

In March 2023, the Accounting Standards Board (AcSB) issued an Exposure Draft entitled *Contributions – Revenue recognition and related matters*. The Exposure Draft included a proposed new Handbook Section 4411 *Contributions received by not-for-profit organizations*, which would replace current Sections 4410 *Contributions – revenue recognition* and 4420 *Contributions receivable*, along with proposed amendments to Section 4400 *Financial statement presentation for not-for-profit organizations.* The proposed effective date of the new handbook section and related amendments in the Exposure Draft was for fiscal years beginning on or after January 1, 2026, with earlier application permitted. The deadline for stakeholders to respond to the Exposure Draft was September 30, 2023.

Given the numerous responses and concerns raised, the AcSB has decided to defer the proposed effective date to allow the AcSB time for further outreach to stakeholders and consultation with the NPO sector. Thus far, the Board has concluded that the proposed single revenue recognition model (which would have eliminated the current deferral method and restricted fund method) will not meet the needs of the NPO sector. Therefore, the AcSB will continue to allow an accounting policy choice for the recognition of contributions. A Re-Exposure Draft is currently in development that will re-introduce two methods of revenue recognition with improvements, with an objective to improve quality and understandability of NPO financial statements through improved consistency in application of the standards. The Board will also consider all of the other comments and feedback received, and determine whether additional changes in the Re-Exposure Draft are necessary.

Potential changes to the existing accounting frameworks for NPOs and private enterprises

More than 10 years ago, the AcSB established 4 parts of the CPA Canada – Accounting Handbook: International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE), Accounting Standards for Not-for-Profit Organizations (ASNPO) and Accounting Standards for Pension Plans. The AcSB is aware that, in Canada's current financial reporting landscape, there is significant diversity in the sizes and complexity of private enterprises and NPOs. As a result, the AcSB is consulting with stakeholders to explore scaling the existing accounting frameworks to better meet the reporting needs of these types of entities. The first step in this consultation was to issue a Consultation Paper entitled Exploring Scalability in Canada in April 2023. Tentatively, the AcSB has decided that it will move forward with investigating potential (1) simplified recognition and measurement options (2) reduced disclosure requirements in certain standards. The AcSB is reviewing ASPE in detail to identify specific challenges that entities are facing and propose practical solutions. A second consultation paper will be issued for feedback on the Board's findings and proposals. The Board has decided to undertake a detailed review of the ASPE to identify the most complex requirements and propose practical solutions with the aim to increase understandability of its standards for all entities.