



Schizophrenia Society of Canada - Société canadienne de la schizophrénie

2025 Audit Findings

Report to the Board of Directors

March 31, 2025

Paul Bryson, CPA

T: 204.336.6218

E: paul.bryson@mnp.ca



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Overview

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the non-consolidated financial statements of Schizophrenia Society of Canada - Société canadienne de la schizophrénie (the "Society") as at March 31, 2025 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

As auditors, we report to the members on the results of our examination of the non-consolidated financial statements of the Society as at and for the year ended March 31, 2025. The purpose of this Report is to assist you, as members of the Board of Directors, in your review of the results of our audit.

This Report is intended solely for the information and use of the Board of Directors and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Engagement Status

We have substantially completed our audit of the financial statements of the Society which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Board of Directors;
- The Board of Directors' review and approval of the non-consolidated financial statements.

No significant limitations were placed on the scope or timing of our audit.






Independent Auditor's Report




Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the members of the Society. A draft copy of our proposed Independent Auditor's Report has been included with this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

Audit Reporting Matters

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the non-consolidated financial statements considered separately.

Significant Audit, Accounting and Reporting Matters

Area		Comments
	Changes from Audit Service Plan	There were no deviations from the Audit Service Plan previously presented to you.
	Final Materiality	Final materiality used for our audit was \$35,000 for March 31, 2025.
	Identified or Suspected Fraud	While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
	Identified or Suspected Non-Compliance with Laws and Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.
	Matters Arising in Connection with Related Parties	No significant matters arose during the course of our audit in connection with related parties of the Society.

Area		Comments
	Auditor's Views of Significant Accounting Practices, Accounting Policies and Accounting Estimates	<p>The application of Canadian accounting standards for not-for-profit organizations allows and requires the Society to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding your Society's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.</p> <p>The accounting policies used by the Society are appropriate and have been consistently applied.</p>
	Financial Statement Disclosures	The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.
	Significant Deficiencies in Internal Control	While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
<p>Management override of internal controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>MNP tested the appropriateness of journal entries recorded in the general ledger using computer assisted techniques and other adjustments made in the non-consolidated financial statements. MNP reviewed accounting estimates for biases. MNP reviewed significant transactions that are outside the normal course of business for the Society, or that appeared to be unusual.</p> <p>No significant concerns noted.</p>

Other Areas

Area	Comments
Auditor Independence	We confirm to the Board of Directors that we are independent of the Society. Our letter to the Board of Directors discussing our independence is included as part of the additional materials attached to this report.
Management Representations	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
Summary of Significant Differences	A few significant adjustments were proposed to management with respect to the March 31, 2025 non-consolidated financial statements.

Summary of Significant Differences

Significant Adjusted Differences

Differences Noted	Statement of Financial Position	Statement of Operations
To record current year amortization.	\$ (340)	\$ 340
To reconcile unrealized gain on investment at year-end.	\$ 7,635	\$ (7,635)
Total Adjusted Differences (Income Effect)		\$ (7,295)

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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Appendix A - Independent Auditor's Report

SEE ATTACHED

Independent Auditor's Report

To the Board of Schizophrenia Society of Canada - Société canadienne de la schizophrénie:

Opinion

We have audited the non-consolidated financial statements of Schizophrenia Society of Canada - Société canadienne de la schizophrénie (the "Society"), which comprise the non-consolidated statement of financial position as at March 31, 2025, and the non-consolidated statements of operations and changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Society as at March 31, 2025, and the results of its non-consolidated operations and its non-consolidated 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 Non-Consolidated Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the non-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.

Other Matter

The non-consolidated financial statements for the year ended March 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on December 10, 2024.

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

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 Society'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 Society'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 non-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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-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.

Winnipeg, Manitoba

Chartered Professional Accountants

Appendix B - Management Representations

SEE ATTACHED

MNP LLP
True North Square - 242 Hargrave Street
Suite 1200
Winnipeg, Manitoba R3C 0T8

To Whom It May Concern:

In connection with your audit of the non-consolidated financial statements of Schizophrenia Society of Canada - Société canadienne de la schizophrénie (the "Society") as at March 31, 2025 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the non-consolidated financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

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 non-consolidated financial statements would influence the decision of a reasonable person relying on the non-consolidated financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 17, 2025, for the preparation and fair presentation of the Society's non-consolidated financial statements and comparative(s) in accordance with Canadian accounting standards for not-for-profit organizations. We believe these non-consolidated financial statements[and comparative(s) are complete and 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, in accordance with Canadian accounting standards for not-for-profit organizations.
2. All transactions have been recorded in the accounting records and are reflected in the non-consolidated financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Society's non-consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the non-consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian accounting standards for not-for-profit organizations, and are applied consistently throughout the non-consolidated financial statements.
4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.

6. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the non-consolidated financial statements.
7. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the non-consolidated financial statement effects of the entries.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations.
9. All events or transactions that have occurred subsequent to the balance sheet and for which Canadian accounting standards for not-for-profit organizations require adjustment or disclosure have been adjusted or disclosed appropriately in the non-consolidated financial statements.
10. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations.
11. All liabilities, both known and contingent, requiring recognition or disclosure in the non-consolidated financial statements in accordance with the requirements of Canadian accounting standards for not-for-profit organizations have been adjusted or disclosed as appropriate.
12. 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 non-consolidated financial statements.
13. All assets, wherever located, to which the Society had satisfactory title at the year-end, have been fairly stated and recorded in the non-consolidated financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the non-consolidated financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the non-consolidated financial statements.
14. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the non-consolidated financial statements.
15. All cash accounts have been appropriately recorded in the non-consolidated financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.
16. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2025. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
17. All charges to capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Society. Depreciation of capital assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the non-consolidated financial statements.
18. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Society is not entitled to the proceeds.

19. Contributions have been recognized only where a non-reciprocal transfer of cash or other assets, or a non-reciprocal settlement or cancellation of liabilities has occurred, and the amounts have been collected or are collectible. Contributions have been recognized in accordance with any stipulated restrictions and are recorded in the non-consolidated financial statements according to the requirements of Canadian accounting standards for not-for-profit organizations.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the non-consolidated financial statements and related data;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the non-consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the non-consolidated financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the non-consolidated financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the non-consolidated financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Society and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. There are no discussions with your firm's personnel regarding employment with the Society.

Other Information

1. We have informed you of all the documents containing other information that comprise our annual report. Further, the non-consolidated financial statements and the other information provided to you prior to the date of your audit report are consistent with one another, and the other information does not contain any material misstatements.

Professional Services

1. We acknowledge the engagement letter dated January 17, 2025, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Society's audit.

Sincerely,

Schizophrenia Society of Canada - Société canadienne de la schizophrénie

Signature

Title

Appendix C - Independence Communication

SEE ATTACHED

Board of Directors
Schizophrenia Society of Canada - Société canadienne de la schizophrénie
103 Harvest Drive
Steinbach, MB R5G 2C6

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of Schizophrenia Society of Canada - Société canadienne de la schizophrénie (the "Society") as at March 31, 2025 and for the year then ended.

The purpose of this letter is to communicate with you regarding all relationships between the Society and MNP LLP and/or its affiliates (collectively, "MNP") that, in our professional judgement, may reasonably be thought to bear on our independence. In determining which relationships to report, we consider the relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Society and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from April 1, 2024 to XXXX.

We hereby confirm that MNP is independent with respect to the Society within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Manitoba as of XXXX.

This report is intended solely for the use of Board of Directors, management and others within the Society and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,

MNP LLP

Chartered Professional Accountants

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Hot Topics for Those Charged with Governance



We've learned a few things over the years — and we want to share these experiences and ideas with you. What should management, audit committees, and boards be thinking about in 2025? We continue to be in an ever-evolving regulatory landscape and it continues to be crucial for organizations to stay ahead of key issues that can impact their operations and strategic decisions. This publication aims to provide you with valuable insights on some of the most pressing topics in the auditing and business landscape today.

In this ever-changing environment, it is essential for management, audit committees, and boards to be well-informed and proactive. We hope this document serves as a valuable resource as you navigate the challenges and opportunities ahead in 2025.

Interested in more? Check out MNP Insights at www.mnp.ca/en/insights for industry guidance, business insights, and more.

1. Tariffs

On March 4, the United States imposed sweeping tariffs on Canadian goods imported into the U.S. In response, the Canadian government has imposed counter-tariffs on American goods imported into Canada. This will be a period of continuous change as the two nations work through negotiations. Interprovincial trade opportunities may emerge as Canada's provinces work together to reduce the negative impacts of tariffs. The effects of a trade conflict would negatively affect both imports and exports in Canada. Higher prices because of tariffs could lead to higher inflation and reduce demand for products in Canada and U.S. Beyond North America, lower global demand could in turn reduce commodity prices, including the price of oil. The threat of trade disruptions may stall planned investment projects and cross border contract negotiations.

Financial Impacts

- Increased costs and margins
 - One of the most immediate impacts of tariffs is the increase in the cost of imported goods. Companies that rely on materials, components, or finished products from the US may see their input costs rise. This can affect profit margins unless the additional costs can be passed on to customers through higher prices.
- Supply Chain Disruptions
 - Tariffs may lead to changes in supply chain dynamics. Businesses may need to source materials or products from alternative suppliers to mitigate the impact of tariffs.
- Changes in Inventory Valuation
 - The increased cost of goods due to tariffs can affect the valuation of inventory, which may result in net realizable value falling below costs incurred.
- Impact on Sales and Revenue
 - Tariffs can also impact sales and revenue, particularly if products become less competitive in the US market due to higher prices.
- Potential Impairments
 - Tariffs may lead to impairments of assets if the increased costs or decreased competitiveness result in lower-than-expected future cash flows.

How would this impact December 31, 2024 financials?

Any announced tariffs in 2025 are non-adjusting subsequent events under IAS 10/ASPE 3820 since they did not provide evidence of conditions that existed on December 31, 2024. These tariff announcements

and the related economic uncertainties could be a material non-adjusting subsequent event that requires disclosure for many entities.

Going concern assessment considerations:

- Uncertainties related to tariffs may create a material uncertainty over going concern as at December 31, 2024.
- Going concern assessments are required to consider all available information up to the date of issuance of the financial statements. Cash flow projections should factor in these uncertainties, especially for close calls or when the impact of tariffs could be significant given your business and/or industry.

Future Financial Reporting Periods

- Financial statements will need to include entity-specific disclosure of significant measurement uncertainties, judgments, assumptions and risks.
- Inventory valuation assessments
 - Uncertainties related to declines in demand, increases in costs of imported inputs, and tariffs on inventory sold to the U.S. may affect net realizable value assessments for inventory.
- Impairment assessments
 - Uncertainties related to tariffs may be indicators of impairment for long lived assets.
- Cash flow projections and/or discount rates should factor in these uncertainties.
- Allowance for doubtful accounts/ Expected credit losses
 - Tariffs could impact customers' ability to pay their debts, in particular for affected industries.
- Foreign currency adjustments due to changes in value of the Canadian dollar.
- Debt
 - Covenant violations due to a decline in operating results
- Fair value measurement of financial assets and liabilities
- Future / deferred income tax assets
 - It may be more difficult to support the probability of realization (including the estimate of the amount to be realized) due to the impact of economic uncertainties
- Agricultural inventory and productive biological assets valuation
- Liabilities - potential penalties for contracts to be cancelled

For more insights on tariffs, visit us at www.mnp.ca/en/insights

2. Cybersecurity

Organizations understand that cyberattacks are a critical risk to the business, not only affecting daily operations, but causing long term damage to productivity, profitability, and their brand. The attack surface of an organization has never been higher - with additional third-party service providers, outsourcers, the proliferation of data in the cloud, the shadow use of not only IT but also data and AI. Organizations must prepare and secure a foundation for new data security, enhanced cyber insurance and compliance requirements, as well as privacy legislation.

Questions to consider asking management include the following:

- Have you performed an Insider Risk Threat Assessment?
- What compliance requirements are applicable to us and our data?
- Where is our data? Who has access to that data?
- Are we prepared for the increased sophistication of threat actors leveraging AI toolsets?
- Have we considered assessing our vulnerability to insider threat?
- Are we prepared to deal with a data compromise?

3. Environmental, Social, and Governance (ESG)

Over the past year, there have been significant developments in ESG legislation, including reporting, in Canada and globally. The below list is not exhaustive, and entities should remain informed of new regulations and legislation affecting their business.

Canadian Specific Operations

Bill S-211: Bill S-211, *the Fight Against Forced Labour and Child Labour in Supply Chains Act*, was enacted to protect vulnerable populations from exploitation. It took effect on January 1, 2024, requiring Canadian businesses to report annually on risk management practices and other matters related to forced labour and child labour in their supply chains, with the first reports due May 31, 2024. The bill also amended the Customs Tariff to prohibit the importation of goods made using forced or child labour.

In late 2024 Public Safety Canada [published updates to Bill S-211 guidance](#) which adjusts reporting obligations for entities to only include those producing goods in Canada or elsewhere, importing goods into Canada, or controlling an entity involved in those activities of producing or importing. In Year 2, entities need to consider enhancing their disclosures, especially around training, their effectiveness in ensuring forced and/or child labour are not used in their supply chain, and improving transparency within their supply chain. With heightened scrutiny, businesses need to prioritize proactive measures to meet their reporting obligations and strengthen supply chain visibility.

Canadian Sustainability Disclosure Standards (CSDS): In December 2024, the Canadian Sustainability Standards Board (CSSB) issued final CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures*, which are aligned to the International Sustainability Standards Board (ISSB) sustainability standards, except for additional proposed exemptions to address the Canadian public interest. An entity shall apply CSDS 1 and CSDS 2 for annual reporting periods beginning on or after January 1, 2025, with earlier application being permitted. However, application is currently voluntary until mandated by the appropriate authorities. Canada's regulators and legislators, including the Canadian Securities Administrators (CSA), will determine whether CSDS's should be mandated, as well as the scope and timing of application. The CSA continues to work towards a revised climate-related disclosure rule that will consider the CSSB Standards and may include modifications considered appropriate for the Canadian capital markets. The CSA is taking a climate-first approach and therefore is focusing on those requirements necessary to support a climate-related disclosure rule.

Canadian Standard on Sustainability Assurance (CSSA) 5000: In September 2023 the Auditing and Assurance Standards Board (AASB) issued their Exposure Draft for CSSA 5000, *General Requirements for*

Sustainability Assurance Engagements, which will be the overarching standard for sustainability reporting assurance in Canada. The final standard is expected to be finalized and approved by the end of 2025. The timing of any assurance requirements over sustainability information is uncertain but it is expected that there will be transitional reliefs to allow for effective implementation.

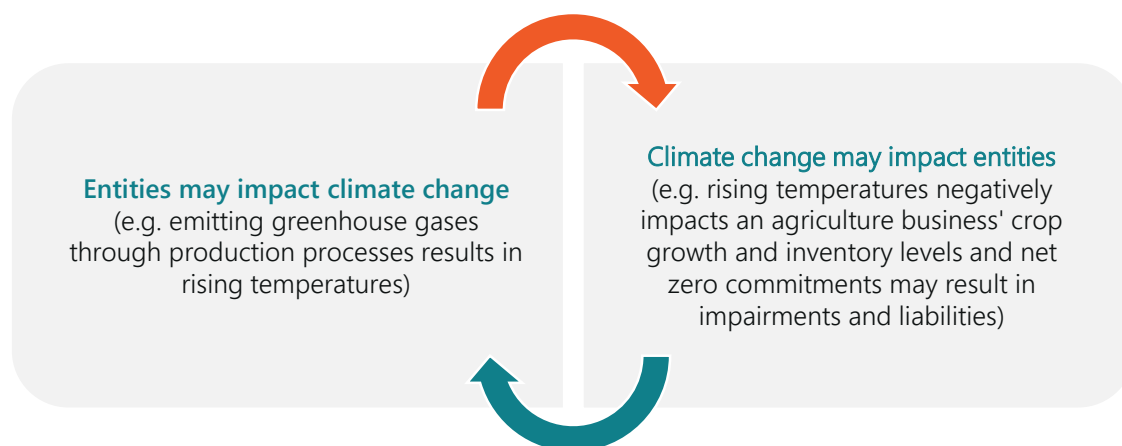
Bill C-59: Bill C-59, which amended the *Competition Act* of Canada on June 20, 2024, introduces significant measures targeting greenwashing. The law mandates that environmental claims made by companies must be substantiated with adequate and proper tests or internationally recognized methodologies. This includes both explicit and implied claims about a product or business's environmental benefits. If these claims are found unsubstantiated, companies can face hefty penalties. Additionally, starting in June 2025, private parties can take legal action against companies for greenwashing, allowing climate advocacy groups direct access to the Competition Tribunal.

Increasing Carbon Price: On April 1, 2025, Canada's carbon price will increase from \$80 to \$95 per ton. This increase is part of a scheduled annual rise by \$15 per ton, which will continue until the price reaches \$170 per ton by 2030. This pricing mechanism, established under the *Greenhouse Gas Pollution Pricing Act*, aims to reduce greenhouse gas emissions by incentivizing businesses and individuals to adopt cleaner energy sources and technologies.

OFSI Guideline B-15: The Office of Superintendent of Financial Institutions issued Guideline B-15 in March 2023, which requires climate-related reporting on governance, strategy, risk management, metrics and targets for domestic systemically important banks (D-SIBs) and Internationally Active Insurance Groups (IAIGs) headquartered in Canada by their 2024 fiscal year-ends. All other institutions regulated by OFSI will be required to report under Guideline B-15 by their 2025 fiscal year end. We expect that these requirements will result in downstream requests from financial institutions regarding a customer's greenhouse gas emissions in order to access capital.

4. Climate Risk in Financial Reporting

Separate from environmental, social, and governance reporting, investors and other stakeholders are increasingly interested in understanding the financial statement impacts of climate change because of its potential effect on organizations' business models, cash flows, financial position and financial performance. Most industries have been, or are likely to be, affected by climate change and efforts to manage its impact. However, some organizations, industries and activities will be affected more than others. Current accounting standards do not refer explicitly to climate-related matters. However, these matters must be considered in applying accounting standards when their effect is material in the context of the financial statements taken as a whole.



Examples

- Impairment considerations: The entity may be required to disclose how they considered climate-related matters in their own impairment assessment even though the applicable financial reporting framework may not specifically require such disclosure.
- Going concern matters: Disruption to operations due to extreme weather patterns such as fire, tornadoes, flooding, drought, etc., where management may have indicated plans to relocate operations in an area less susceptible to extreme weather.
- Fixed asset considerations: A manufacturing plant's machinery may be impacted by changes in legislation that aims to reduce dependence on fossil fuels and therefore the useful life and residual values may decrease due to its earlier than planned discontinuation of use.

5. Service Organization

In today's complex business environment, the rise of new services and industries has led to more outsourcing to third-party organizations. To comply with Canadian auditing standards, we as your auditor must understand these third-party services to assess and address risks of material misstatements in the financial statements. For private companies, there are heightened expectations as this is an area subject to focused review and frequent significant findings noted by the CPA Provincial Bodies. As the first line of defense, management must be proactive in understanding these services to enable the auditor's compliance with the auditing standards.

What does this mean for you?

- **Understand the outsourced services:** Your management must have a clear understanding of the third-party services your organization uses. It is always good practice to inquire about the availability of a System and Organization Controls (SOC) report when engaging with any new third party organizations.
- **Facilitate the auditor's need for information:** We may ask detailed questions about your third-party relationship, including whether there are new service providers, changes to contracts, risk management process, IT environment and how transactions are handled, and the controls management implemented over the transactions handled by the third party.
- **Documentation requirements:** We may request documentation such as business plans, contracts, SOC reports, and Service Level Agreements (SLAs).
- **SOC Reports:** If a service organization relationship exists, management may need to obtain a SOC report, which is essential for assessing controls relevant to financial reporting. Management needs to review the list of complementary user entity controls ("CUECs") described in the SOC report and ensure that they have been implemented and that they are operating effectively at your organization. We may request evidence of this.
- **Potential Impact on Audit Opinion:** If the appropriate SOC reports are not available, or they are insufficient or if the service organization's controls are not effective, we may need to perform additional procedures or modify the audit opinion.