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# Financial Reporting Developments for Not-for-profit and Government Organizations

January 26, 2026

# TODAY'S PRESENTERS



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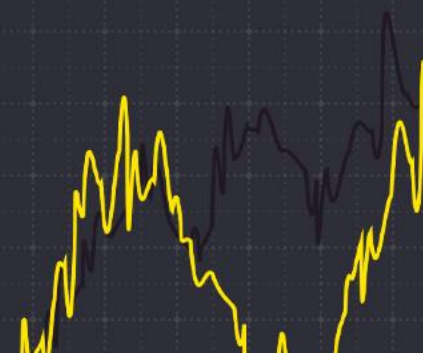
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# AGENDA

TOPIC	SPEAKER(S)	
Welcome	Kathi Aspros	5 min
Indirect Tax Update	Jan Pedder	15 min
Income Tax Update	Sharron Coombs	20 min
Update on Not-for-profit and Public Sector Accounting Matters <ul style="list-style-type: none"><li>■ ASNPO and ASPE</li><li>■ PSAS</li></ul>	Kathi Aspros Sonia Leblanc / Joyce Yu	30 min
Mission Ready AI	Matt Harmsworth / Karelyn Murray/ Jason Green	45 min
Q&A	All speakers	5 min
Closing Remarks	Kathi Aspros	1 min





# WELCOME







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# Indirect Tax Update

Updates from the past year plus a look at  
best practices

# AGENDA

## 1

### Updates from 2025:

- GST/HST Purpose built housing rebate changes for student housing
- GST/HST on manual osteopathic services
- GST/HST joint venture election
- Potential duty drawback for donated goods
- CARM and tariffs
- Digital services tax repeal
- Elimination of underused housing tax
- Transition to electronic mail by the CRA
- Provincial sales tax updates

## 2

### Some best practices:

- Documentation to support ITCs, rebates, allocation and non-taxable supplies
- Self-assessment for imported taxable supplies
- Proper handling of audits
- Third party advice/reviews



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# Updates from 2025



# GST/HST updates

## Purpose-built rental housing rebate for student residences

- Extended to student residences built by public universities, colleges and school authorities operating on a not-for-profit basis.
- No need to meet the first use as the primary place of residence for at least 12 months.
- 100% rebate of GST/HST
- Must be a new construction that began on or after Sep 14, 2023 and before 2031 and is substantially completed before 2036.
- At least 4 self-contained units or 10 units with shared kitchen/washrooms
- No need to self-assess...based on GST/HST paid less the PSB rebate

## Manual osteopathic services

- Osteopathic services provided by individuals who are not osteopathic physicians are subject to GST/HST. This measure applies to supplies made after June 5, 2025.

## Joint Venture election proposed updates

- Proposed updates to update legislation and expand to any joint venture have been abandoned.
- Only applies to natural resources, real property development and operations and certain other prescribed activities

# Potential duty drawback for donated goods

## Pilot duty drawback: donated goods proposed in Budget 2025

- New type of duty drawback claim
- Import duties paid on certain goods donated to a registered charity may be eligible for drawback if the donated goods are used in the organization's charitable programs
- Doesn't apply to goods for resale in Canada





# CARM and tariffs

## CARM (CBSA Assessment and Revenue Management)

- To be an importer of record a person must be registered under CARM
  - Can no longer use a broker's import account
  - must also have its own import account (e.g. BN followed by "RM...")

## Tariffs

- Potential additional cost if import goods



# Repealed taxes

- Digital services tax
- Underused Housing Tax





# Transition to electronic mail by the CRA

Beginning in the spring of 2025, businesses receive most business correspondence through My Business Account, the CRA's online portal. This change will apply to:

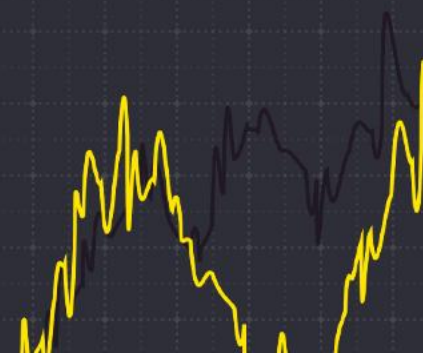
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- all new business number and program account registrations;
- all existing businesses registered for My Business Account; and
- all businesses who allow a representative to access these services on their behalf.

The following entities will continue to receive CRA correspondence through paper mail:

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- existing businesses that are not registered through the business owner or an authorized representative for My Business Account;
- charities, unless they have opted to receive their CRA mail online;



# Provincial Sales Tax updates

## BC

- Used zero-emission vehicles no longer exempt from PST effective May 1, 2025

## Manitoba

- RST to apply to cloud computing services effective Jan 1, 2026 including software subscriptions, data storage services and remote computer processing services.
- Previously RST applied only to software if it resided on a device in Manitoba. Now in line with the other PST provinces.





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# Best practices



# Best practices

## Documentation

- Ensure you maintain documentation to support:
  - Input tax credits (“ITC”)
  - Rebates
  - Zero-rated supplies such as exports
  - ITC allocation models
  - Any issues you have sought external advice for or have conducted internal research such as
    - Support for supplies being exempt vs taxable
    - Various adjustments made to returns
    - Any rulings or opinions on GST/HST issues





# Best practices for GST/HST

Information Required	Total sale under \$100 CDN	Total sale between \$100 - \$499.99 CDN inclusive	Total sale of \$500 CDN or more
Name of supplier	X	X	X
Invoice date	X	X	X
Amount paid or payable	X	X	X
Amount of tax paid or statement that the price includes GST		X	X
Supplier's GST/HST number*		X	X
Recipient's name			X
Description of the goods or services			X
Terms of payment			X

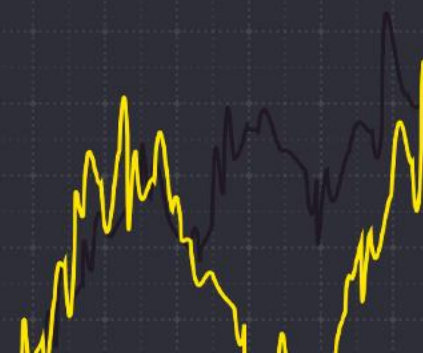
# Best practices – self-assessment - GST

## Importing goods

- Pay 5% at border
- Self-assess provincial portion
- Goods moved from one province to another
  - Remember self-assessment (lower rate province to higher rate province) or rebate (higher rate province to lower rate province)

## Services and intangibles

- Self-assess HST
- Exceptions
  - Exclusive use in commercial activities
  - Consumed by individual entirely outside Canada (e.g. meals, taxi, hotel)
  - Service in respect of real or tangible personal property outside Canada





# Best practices - self-assessment - PST

## Self-assessment

- Imported goods and taxable services
- Temporary use of equipment
- Software usage



# Best practices – other audit issues – GST/HST

- Uncollected tax
- Cost and revenue sharing
- Tax collected in error by charities
- Insurance premiums - Ontario (for HST) and Quebec (for QST)
- Real property transactions
- Grants





# Best practices – handling tax authority audits

- Respond promptly
- Ask for requests in writing and respond in writing
- One point of contact
- Establish regular communication protocols
- Involve professional help early
- Sort out as many issues as possible prior to the proposal letter



# Best practices – Third party advice/reviews

- Assistance with audits
- Tax status of supplies
- Grant or consideration for a supply
- Allocation of ITCs
- Recovery reviews
- Employee training
- Risk/compliance reviews







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# Income Tax Update

For registered charities and non-profit organizations

# AGENDA

1

## Registered charities

- Legislative update
- Common and high-risk areas of non-compliance
- T3010 Return - filing tips and reminders

2

## Non-profit organizations

- Legislative update
- Tax returns and information returns - reminders
- Recent Canada Revenue Agency ("CRA") interpretations

3

## General tax matters

- Update on trust reporting (T3 Return) requirements
- T4A slip consultations



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# Registered charities

# Registered charities

## Legislative update

### Federal Budget 2025

Budget 2025 affirmed the government's intention to proceed with many previously-announced measures, including:

- Extension of the 2024 charitable donations deadline to February 28, 2025
- Simplification of official donation receipt requirements
- Requirements for spoiled receipts
- Requirements for electronic receipts
- Changes applicable to foreign charities registered as qualified donees
- Simplification and modernization of CRA administrative services for charities
- Amendments to information gathering provisions
- Prohibition on accepting cash payments or donations of \$10,000 or more in a single transaction or a series of related transactions (Bill C-2)



# Registered charities

## Legislative update - continued

Proposed changes to official donation receipts – effective upon enactment of the related legislation

### CONTENT OF RECEIPTS



**Place of issuance** of receipt will no longer be required



**Name and address of appraiser** of donated property will no longer be required



**Middle initial of the donor** will no longer be required

### ELECTRONIC RECEIPTS



**Now expressly permitted** by legislation (previously only allowed administratively)



Must contain **all required information** and be issued in a **secure and non-editable format**



Issuer must maintain an **electronic copy**

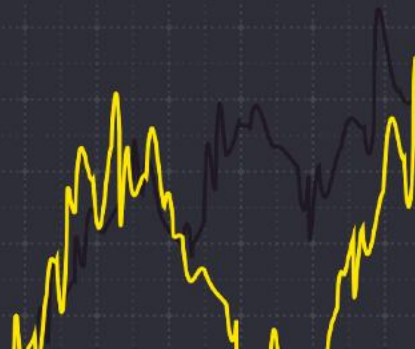
### SPOILED RECEIPTS



The term **"Void"** may be used as an alternative to **"Cancelled"**



**Storing a single copy is sufficient** - duplicate copies will no longer be required



# Registered charities

## CRA's compliance program

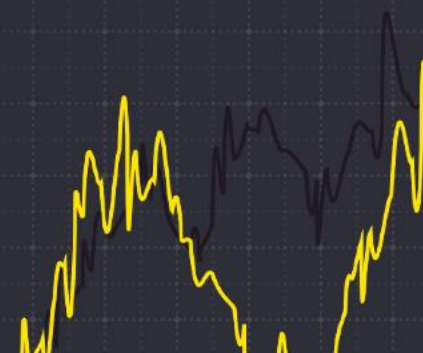


The CRA's Charities Directorate is the de facto regulator of registered charities in Canada



The CRA undertakes audits of charities to identify and address any areas of non-compliance

- Generally, minor errors or instances of non-compliance by a charity are resolved by education, for example, by issuing an education letter
- More serious instances of non-compliance may result in sanctions including financial penalties, suspension of tax-receipting privileges, or potentially, revocation of charitable status
- A list of penalties and suspensions can be found on the CRA website: [Penalties and suspensions - Canada.ca](#)





# Registered charities

## Common areas of non-compliance



### Books and records

- Minor errors and omissions (non-material)
- Not maintaining a copy of current governing documents
- Falsified documents
- No books and records available



### Official donation receipts

- Missing required elements
  - "Official receipt for income tax purposes"
  - CRA website address: [Canada.ca/charities-giving](https://Canada.ca/charities-giving)
- Issuing receipts for services
- Lending registration number to other organizations



### T3010 information return

- Misallocation of fundraising and/or management and administrative expenditures
- Omitting information from the T3010
- Failing to file a return as and when required

# Registered charities

## High-risk areas of non-compliance



### Aggressive tax planning

- Aggressive schemes are for the explicit purpose of decreasing the overall tax burden of the donors, instead of benefiting charitable recipients
- CRA prioritizes combatting aggressive tax planning schemes



### Offshore activities

- CRA is focussed on identifying and addressing situations where money and resources are being moved outside Canada for non-charitable purposes, or supporting non-charitable beneficiaries and activities outside of Canada



### Ineligible individuals

- The *Income Tax Act* contains provisions that are administered by the CRA to prevent certain ineligible individuals from being a member of a charity's board, or holding a position of management or control, where the charity does not have safeguards in place to protect vulnerable beneficiaries and assets



# Registered charities

## T3010 Return - Filing tips and reminders

### Due date and filing method:

- Returns must be filed within 6 months after a charity's fiscal year end
- File the T3010 either on-line or by mail - *CRA fax services are being phased out!*

### Charitable activities:

Charitable programs carried out during the year should be described, not fundraising activities.

"Programs" includes:

- charitable programs carried on directly
- qualifying disbursements through gifts to qualified donees or grants to non-qualified donees

### File all required schedules and attachments:

The correct version of T3010 must be used and all applicable items must be attached:

- T1235 - Directors & Trustees worksheet
- T1236 - Qualified donees worksheet
- T1441 - Grants to non-qualified donees
- T2081 - Excess corporate holdings worksheet
- Annual financial statements

### Accuracy and completeness:

- ✓ Complete Section D or Schedule 6 - not both!
- ✓ Fully report all directors'/trustees' information on T1235
- ✓ Complete all registration numbers on T1236
- ✓ Foundations completing Sch. 1 - refer to CRA's definition of "restricted funds" (may differ from accounting treatment)

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# Non-profit organizations





# Non-profit organizations

## Legislative update

### Federal Budget 2025

Announcement of a delay in implementing proposed new reporting rules for NPOs:

Expansion of T1044 Non-Profit Organization Information Return filing requirement to include organizations with over \$50,000 of gross revenues in the fiscal period



New short-form filing requirement for “small” NPOs



The new reporting rules are expected to apply to **taxation years beginning on or after January 1, 2027**, instead of to taxation years beginning on or after January 1, 2026

# Non-profit organizations

## Legislative update - continued



T1044 Information Return must be filed if an NPO is exempt from tax under pgh. 149(1)(e) or (l) of the *Income Tax Act* and it meets **any of** the following tests:

The total of all amounts received or receivable in the fiscal period for taxable dividends, interest, rentals, and royalties is more than \$10,000

OR

The total assets at the end of the immediately preceding fiscal period exceeded \$200,000

OR

The NPO had to file a T1044 Information Return for a preceding fiscal period

OR

**[NEW - proposed: for taxation years beginning on or after January 1, 2027]**

The NPO had total gross revenues over \$50,000 in the fiscal period



# Non-profit organizations

## Legislative update - continued

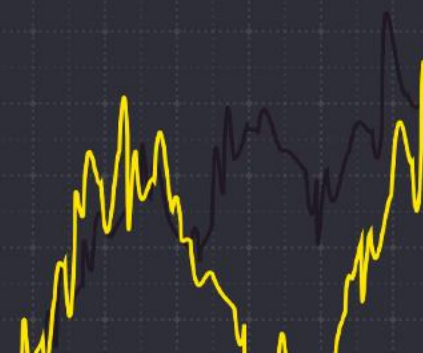


Proposed new filing requirement for “small NPOs” otherwise exempted\* from filing a T1044 Information Return

A new “short form” return must be filed to disclose certain basic information, including:

- ✓ Business number or trust number of the NPO
- ✓ Name of organization
- ✓ Mailing address
- ✓ Names and addresses of the directors, officers, trustees, or similar officials
- ✓ Description of activities and whether activities are conducted outside of Canada
- ✓ Total assets, liabilities, and annual revenues
- ✓ Other prescribed information

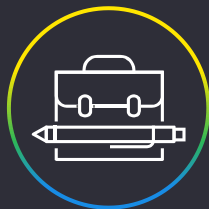
\* Budget 2025 indicated that stakeholder feedback is being reviewed and will inform final proposals to be released which will aim to minimize the additional administrative burden as well as clarify which organizations will be subject to the new filing requirement



# Non-profit organizations

## Tax and information returns - reminders

Returns that may be applicable for an NPO that is exempt under pgh. 149(1)(e) or (l) of the *Income Tax Act*:



### Annual NPO information return

- T1044 Non-Profit Organization Information Return, if required (must assess filing criteria annually)
- **Proposed - for years beginning on or after January 1, 2027:** New "small NPO" information return (TBD)



### Annual income tax return

- T2 Corporation Income Tax Return - if the NPO is a corporation
- T3 Trust Income Tax and Information Return - if the NPO is subject to tax on interest, dividends, rents, royalties, and certain capital gains because its main purpose is to provide dining, recreational or sporting facilities to members



### Other returns

- T4 Returns, T4A Returns, NR4 Returns, T106 Returns, etc., as applicable

# Non-profit organizations

## Recent CRA interpretations

### CRA Document 2024-1031071E5:

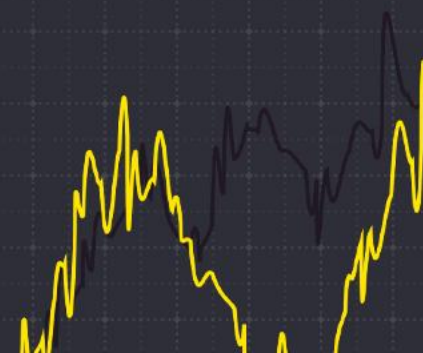
#### NPO holding vacant land

- A parcel of land only used by a golf club as a golf range for a limited period of time during its ownership was found not to be used “exclusively for and directly in the course of providing the dining, recreational or sporting facilities provided” by the golf club for its members
- CRA’s view was that the limited period of use of the parcel of land as a golf range (5 years out of 35 years owned) was not sufficient to meet the threshold of being used exclusively and directly to further its purpose of providing dining, recreational or sporting facilities to members
- Result: the capital gain realized on sale of the parcel of land is subject to income tax

### CRA Document 2022-09030451E5:

#### Requirement to issue T4A slips

- A recreational sports league incorporated as a non-profit corporation (the “NPO”) was found to be required to issue T4A slips for fees paid to independent contractors who officiate games (“Officials”), if the fees paid to a particular Official exceed \$500 in a calendar year
- CRA commented that no deductions or withholdings from the amounts paid to the Officials were required, because the Officials were resident in Canada
- The NPO may be subject to penalties and related interest if T4A slips are not filed when and as required





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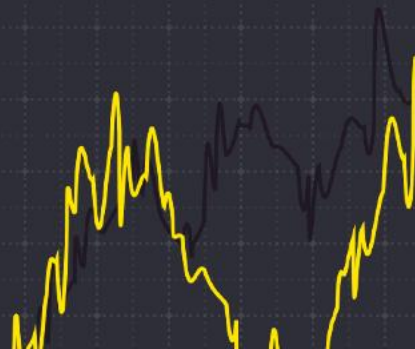
# General tax matters

# General tax matters

## Update on trust reporting (T3 Return) requirements

### Background

- Legislative amendments expanded the T3 Return filing requirement, starting in 2023
- Additional disclosure of beneficiaries, trustees, and other persons is now required on T3-Schedule 15
- Significant new penalties apply for failing to file a T3 Return if required, or if false statements or omissions are knowingly made in a return
- Registered charities are not required to file T3 Returns for internal express trusts such as endowments and other restricted funds
- Pending legislative amendments expand the list of express trusts exempt from the enhanced reporting requirements, providing some relief to certain taxpayers (highly fact-dependent)
- T3 Return reporting for “bare trusts” administratively delayed until 2026



# General tax matters

## Update on trust reporting (T3 Return) requirements - continued

### Potential impact on registered charities and NPOs

- Registered charities may have filing requirements with respect to bare trusts starting in 2026 (TBD)
- NPOs that are not registered charities may have filing requirements with respect to internal trusts and other trust arrangements (now) and for bare trusts starting in 2026 (TBD)
  - Sporting / dining/ recreational clubs that are NPOs which file T3 Returns for ITA ss. 149(5) deemed trusts must file Schedule 15
- Significant failure to file penalties can apply - greater of \$2,500 or 5% of the value of trust property

**Tip:**

Identify and review potential T3 filing requirements for 2025 and beyond

Due date for 2025 T3 Returns is the end of March 2026





# General tax matters

## T4A slip consultations

In 2024, CRA held a consultation consisting of an online questionnaire and an external stakeholder working group on the requirement for businesses and organizations to report fees paid to **other businesses** for services provided

### Legislative background

- A person who pays fees, commissions, or other amounts for services described in paragraph 153(1)(g) of the *Income Tax Act* is required by Regulation to report the payments on Form T4A, *Statement of Pension, Retirement, Annuity and Other Income*

### CRA's current administrative policy

- Form T4A must be issued if the total fees, commissions, or other amounts paid for services exceeds \$500 in a calendar year
- In 2011, CRA introduced a temporary moratorium on penalties for failing to complete box 048 "Fees for services" on Form T4A

# General tax matters

## T4A slip consultations - continued

### Key findings from the consultation

- More support for businesses and organizations is required to better understand and comply with the reporting requirement
- Better guidance is needed on which services are to be reported

### Other findings

- Form T4A may not be appropriate
- Threshold concerns
- Phased implementation approach
- Exemptions from reporting requirement

### Takeaways

- Expect future announcements and guidance to develop around T4A reporting
- For example, Budget 2025 announced funding to lift the T4A reporting penalties moratorium related to service transactions in the trucking industry (only)





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# Key ASNPO and ASPE reporting changes

A look at the most significant updates from the past year and their implications



# AGENDA

1

## Approved amendments:

- AcG-21 on life insurance contracts with cash surrender value
- Section 3400 Revenue - disclosure of upfront non-refundable fees or payments

2

## Active projects:

- Subsequent measurement of goodwill and acquired intangible assets
- Contributions - revenue and related matters
- Improvements to 4450: reporting controlled and related entities
- Detailed review of ASPE
- Financial statement concepts
- Other

1

# Approved amendments

Effective for annual periods beginning on or after 1 January 2025	Effective for annual periods beginning on or after 1 January 2026	Effective date deferred indefinitely
Accounting for common control combinations*	Accounting for life insurance contracts with cash surrender value	Upfront non-refundable fees or payments <ul style="list-style-type: none"><li>Interim disclosure requirement effective on after 1 January 2025</li></ul>

\*Limited applicability

# AcG-21 accounting for life insurance contracts with cash surrender value (CSV)



AcG-21 applies to annual periods beginning on or after 1 January 2026



Earlier application is permitted



Retrospective application, but only to life insurance policies that exist and have a CSV on or after the beginning of the earliest period presented



# AcG-21 accounting for life insurance contracts with cash surrender value (CSV)



## Recognition

- The organization **records** the cash surrender value of a life insurance policy as an asset when it becomes the **owner and beneficiary** of the underlying insurance contract.



## Measurement

- It initially and subsequently **measures** the cash surrender value at the amount that would be immediately realized upon termination of the policy prior to the death of the insured.



## Presentation

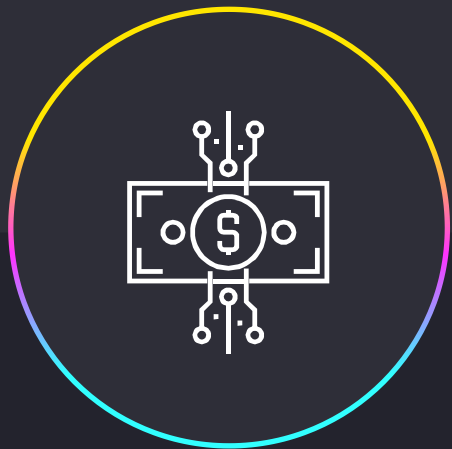
- The difference between the aggregate policy premiums and the aggregate change in cash surrender value for the period is **presented** on a net basis.
  - Net debit is presented as expense
  - Net credit is present as income



## Disclosure

- If not separately presented on the statement of financial position, the carrying amount of aggregate CSV for all insurance policies with CSV, and the statement caption that includes CSV
- If not separately presented on the statement of operations, the caption that includes the change in CSV

# Revenue – disclosure of upfront non-refundable fees or payments



The amended standard provides guidance on determining when to recognize revenue for upfront non-refundable fees or payments



3400.35A *"An enterprise shall disclose the nature and amount of upfront non-refundable fees or payments recognized in revenue when the enterprise recognizes the fee or payment in revenue upon entering into the arrangement."*



New disclosure requirement effective **1 January 2025**

## 2

# Active projects



Effective for annual periods beginning on or after 1 January 2026	Effective for annual periods beginning on or after 1 January 2027	Effective for annual periods beginning on or after 1 January 2029	Effective date TBD
<ul style="list-style-type: none"><li>Narrow-scope amendments to common control combinations*</li></ul>	<ul style="list-style-type: none"><li>Agriculture*</li></ul>	<ul style="list-style-type: none"><li>Subsequent measurement of goodwill and acquired intangible assets (comment period closing 31 January 2026)</li></ul>	<ul style="list-style-type: none"><li>Contributions - revenue and recognition matters</li><li>Improvements to 4450: reporting controlled and related entities</li><li>Detailed review of ASPE (comment period closing 31 January 2026)</li><li>Financial statement concepts</li></ul>

\*Limited applicability



# Subsequent measurement of goodwill and acquired intangible assets

The AcSB was made aware of challenges faced by with respect to the recognition of intangible assets and subsequent measurement of goodwill.

## Common challenges include:

- Estimating the fair value of certain intangible assets acquired in a business combination; and
- Carrying out the goodwill impairment tests

## Key proposals:

- Relief from recognizing intangible assets separately in business combinations
- Policy choice to amortize goodwill instead of impairment-only model
- Would be consistently applied to all business combinations



Exposure draft released in October 2025 | **Comments due 31 January 2026**

The AcSB plans to issue the amendments in the second quarter of 2027

Effective date proposed for annual periods beginning on or after 1 January 2029, with early adoption permitted

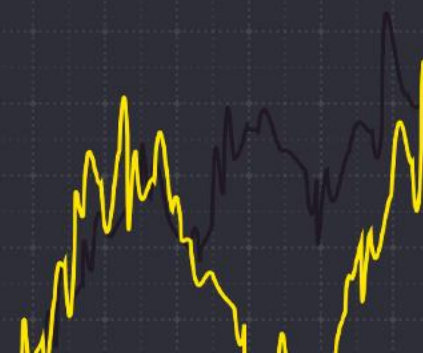
# Contributions – revenue recognition and related matters

**Project objective is to create contribution recognition guidance that results in financial statements that are less complex and more understandable to users. The project aims to:**

- Make improvements to the existing contribution revenue recognition methods (the restricted fund method and deferral method);
- Clarify certain definitions related to the accounting for contributions;
- Make improvements to the accounting for special types of contributions, including endowments, capital asset contributions, and contributed materials and services; and
- Enhance presentation and disclosure requirements to provide better information to financial statement users.

## Current Status

- The AcSB issued its Exposure Draft in March 2023 and approved a revised project plan for a new exposure draft in May 2024
- The AcSB continued to gather input to help develop a new exposure draft
- Over this past summer, the AcSB conducted field testing of potential proposals, which were discussed by the AcSB in November 2025 and resulted in tentative decisions on several key issues
- A re-Exposure Draft is anticipated in 2026



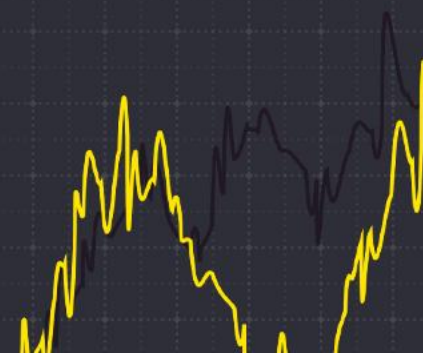
# Improvements to 4450: reporting controlled and related entities

Project objective is to improve transparency on financial statements for users reviewing the relationships entities have with related and controlled entities, and includes:

- Amending Section 4450 to improve the disclosures related to controlled and related entities;
- Introducing illustrative examples to assist in the application of the definitions of control, significant influents, and economic interest in not-for-profit organizations in Section 4450; and
- Revisiting current definitions of control, significant influence, and economic interest held in not-for-profit organizations, if necessary, based on any relevant learnings gained from the development of illustrative examples.

## Current Status

- The AcSB approved a project to make improvements to Section 4450 in March 2024
- The AcSB approved the use of a consultation paper before developing a proposal for inclusion in a future exposure draft
- A Consultation Paper is anticipated in 2026





# Detailed review of ASPE - Consultation Paper



The AcSB's 2022-2027 plan focuses on enhancing ASPE's scalability and understandability for private companies and not-for-profit organizations in Canada



There are numerous key ASPE sections that are under review for the following potential changes:

- **Revenue** - policy choice to apply the completed contract method to contracts meeting certain contracts to reduce burden of applying percentage of completion method to short-term contracts
- **Inventory** - policy choice to exclude allocation of overhead costs from total manufactured cost
- **Asset disposal** - separating this from the discontinued operations section
- **Financial instruments** - policy choice to measure financial liabilities that do not have market interest rates at face value



Deadline for comments is 31 January 2026

# Financial statement concepts

The Board is exploring ways to modernize section 1000 Financial Statement Concepts



Develop a single set of concepts



Align with IASB's Conceptual Framework, with terminology adapted for Canadian context



Replacing "conservatism" with "prudence"



Emphasizing qualitative characteristics of useful financial information

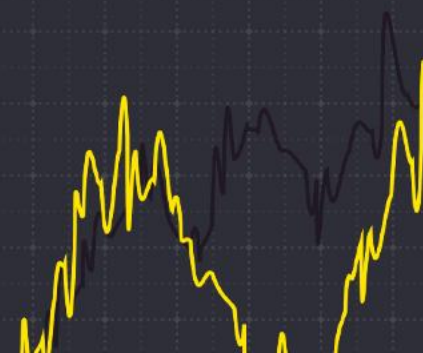


Considering availability of additional information for users during standard-setting

# Other

## Evaluating the Preface

- This project concluded in 2025 without any changes being proposed based on the research completed by the AcSB







Shape the future  
with confidence

# Key PSAS reporting changes

A look at the most significant updates from the past year and their implications



# AGENDA

## PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) UPDATE

1

### Approved standards and amendments:

- New conceptual framework
- New reporting model (PS 1202)
- 2024-2025 Annual Improvements

2

### Active projects:

- Employee benefits
- Government not-for-profit ("GNFP") strategy
  - Tangible capital assets
  - Contributions and financial statement presentation
- Intangible assets (including cloud computing arrangements)



1

# Approved standards and amendments

Effective for annual periods beginning  
on or after 1 April 2026

- 1) New conceptual framework
- 2) New reporting model (PS 1202)
- 3) 2024-2025 Annual Improvements

Effective for annual periods beginning  
on or after 1 April 2030

- 1) Amendments to Tangible Capital assets (PS 3150)



# New conceptual Framework

Refresher

The new conceptual framework of the following 10 chapters:



Characteristics of public sector entities



Objective of financial reporting



Primary users of financial reporting



Expectations of those users



Role of the financial statements



Financial statements foundation and objectives



Qualitative characteristics of information and related considerations



Definitions of elements



General recognition and derecognition criteria



General measurement concepts



General presentation concepts



**Effective for reporting periods starting 1 April 2026\***

\* When developing a new entity developed accounting policy or changing an existing entity developed accounting policy after December 2022, the new conceptual framework must be applied in accordance with PS 1150.28 -.29 and PS2120.38-.39 respectively.

Superseded standards:



PS 1000 Financial Statement Concepts



PS 1100 Financial Statement Concepts

# New conceptual Framework

*Refresher*

The following summarizes the changes of in the new conceptual framework

## Introduces the concepts of:

- financial reporting objective, primary users and the broad financial reporting accountabilities
- service capacity
- derecognition
- presentation

## It updates:

- characteristics of public sector entities financial statement objectives
- qualitative characteristics of financial information and related considerations
- element definitions
- measurement attribute

## It clarifies the:

- foundation of the conceptual framework
- financial statement foundations
- going concern presumption
- It relocates the recognition exclusions.

# New conceptual Framework

## Entity-developed accounting policies

*Refresher*



Should have reviewed all their existing entity-developed accounting policies to ensure consistency with the conceptual framework (effective since Dec. 2022).



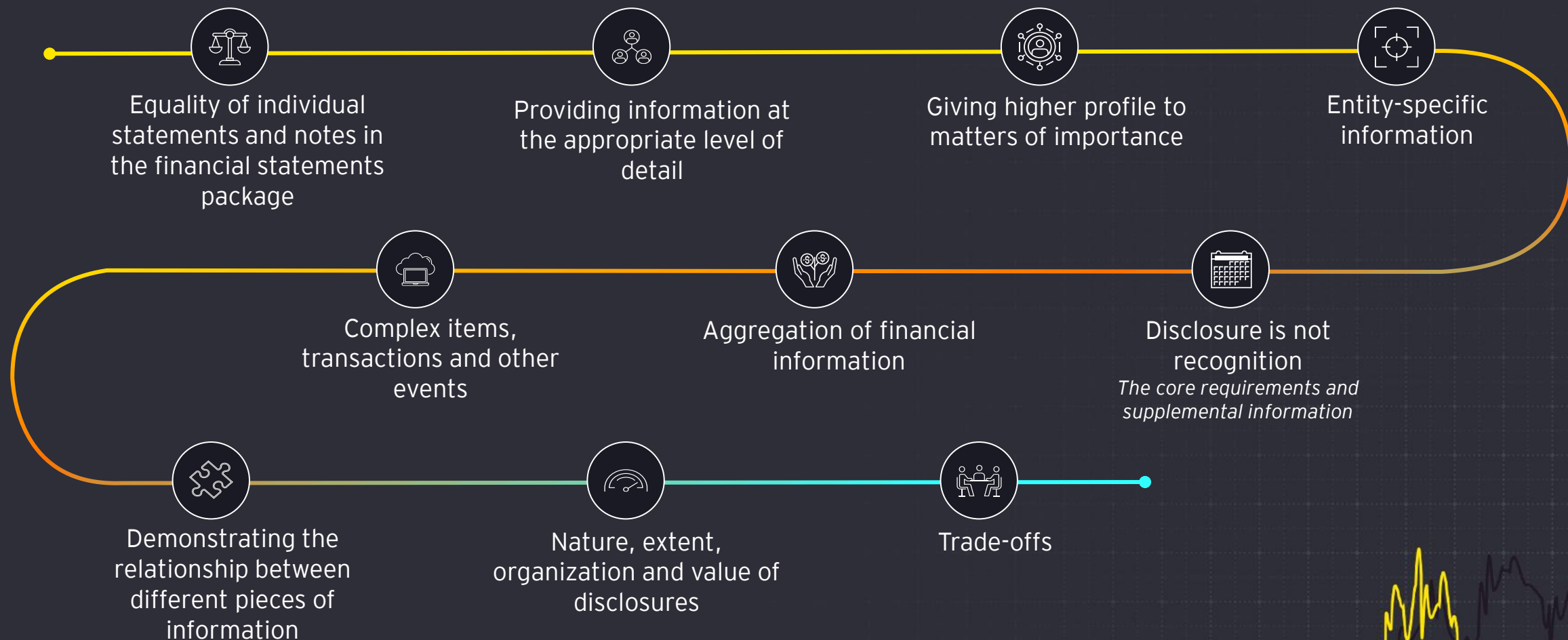
Public sector entities need to ensure any new changes to entity-developed accounting policies are consistent with the conceptual framework.



# New conceptual Framework

## Note disclosures

Public sector entities should review note disclosure for compliance with Chapter 10: *Presentation concepts for financial statements*:



# New reporting model

## PS1202

Refresher

PS 1202, *Financial statement presentation*, was issued by PSAB in October of 2023 and introduces a number of changes to presentation requirements of public sector entities as summarized below.



### Effective for reporting periods starting 1 April 2026\*

\* GNFPs continue to apply PS 4200 and PS 1202 only applies for preparing the statement of cash flows and the reconciliation of the accumulated remeasurement gains and losses in the statement of remeasurement gains and losses.

Statement of financial position	Statement of changes in net assets (net liabilities) - NEW	Statement of changes in net financial assets (net financial liabilities)	Statement of cash flow
<ul style="list-style-type: none"> <li>The statement is restructured</li> <li>Net debt is relocated to its own statement</li> <li>New categories of financial and non-financial liabilities.</li> <li>Third component of net assets added named "Accumulated Other"</li> <li>An entity may choose to report the net financial assets or net financial liabilities indicator on the statement of financial position</li> </ul>	<ul style="list-style-type: none"> <li>This is a new statement showing the reconciliation of beginning and ending balance of each component of net assets</li> <li>Most revenues/expenses will flow through the surplus (deficit)</li> <li>Only PSAB can designate a revenue or expense to be recognized in accumulated other or accumulated remeasurements</li> </ul>	<ul style="list-style-type: none"> <li><b>OPTIONAL</b> - An entity may choose to report the net financial assets or net financial liabilities indicator on the statement of financial position</li> <li>This is a new statement showing account for the difference between financial assets and financial liabilities and report the net financial assets or the net financial liabilities indicator of financial position</li> <li><b>OPTIONAL</b> - present details of the changes in net financial assets (liabilities).</li> </ul>	<ul style="list-style-type: none"> <li>Beginning balance is relocated at the top of the statement.</li> <li>Financing activities are isolated</li> <li>Two new indicators: <ul style="list-style-type: none"> <li>Net cash applied to operating, capital and investing activities</li> <li>Net cash before financing transactions</li> </ul> </li> </ul>

# New reporting model

## PS1202

*Refresher*

Statement of financial position		
As at March 31		
	2026	2025
Financial assets	xx	xx
Non-financial assets	xx	xx
<b>Total assets</b>	<b>xx</b>	<b>xx</b>
<b>Financial liabilities</b>	<b>xx</b>	<b>xx</b>
<b>Non-financial liabilities</b>	<b>xx</b>	<b>xx</b>
<b>Total liabilities</b>	<b>xx</b>	<b>xx</b>
Net assets (net liabilities) is composed of:	xx	xx
Accumulated surplus (deficit)	xx	xx
Accumulated remeasurements	xx	xx
<b>Accumulated other</b>	<b>xx</b>	<b>xx</b>
	xx	xx
<b>Net financial liabilities (financial assets minus financial liabilities, refer to the Statement of Net Financial Liabilities)</b>	<b>xx</b>	<b>xx</b>

Statement of changes in net assets (net liabilities) - NEW		
For the year ended March 31		
	2026	2025
<b>Accumulated surplus (deficit)</b>		
Surplus (deficit)	xx	xx
Opening balance	xx	xx
<b>Ending balance</b>	<b>xx</b>	<b>xx</b>
<b>Accumulated remeasurements</b>		
Unrealized gains on portfolio investments	xx	xx
Less: Net realized gains on portfolio investments reclassified to surplus	(xx)	(xx)
Net change in accumulated remeasurement gains	xx	xx
Opening balance	xx	xx
<b>Ending balance</b>	<b>xx</b>	<b>xx</b>
<b>Accumulated other</b>	<b>xx</b>	<b>xx</b>
Change in accumulated other	xx	xx
Opening balance	xx	xx
<b>Ending balance</b>	<b>xx</b>	<b>xx</b>
<b>Total net assets (net liabilities)</b>	<b>xx</b>	<b>xx</b>

Statement of Cash Flow		
For the year ended March 31		
	2026	2025
<b>Cash and cash equivalents at beginning of period</b>	<b>xx</b>	<b>xx</b>
<b>Operating transactions</b>		
Surplus (deficit)	xx	xx
Non-cash items	xx	xx
Changes in working capital	xx	xx
<b>Cash provided by operating transactions</b>	<b>xx</b>	<b>xx</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	xx	xx
<b>Cash applied to capital transactions</b>	<b>xx</b>	<b>xx</b>
<b>Investing transactions</b>		
Purchases of portfolio investments	xx	xx
<b>Cash applied to investing transactions</b>	<b>xx</b>	<b>xx</b>
<b>Net cash applied to operating, capital and investing activities</b>	<b>xx</b>	<b>xx</b>
<b>Net cash before financing transactions</b>	<b>xx</b>	<b>xx</b>
<b>Financing transactions</b>		
Repayment of debt	xx	xx
<b>Cash applied to financing transactions</b>	<b>xx</b>	<b>xx</b>
<b>Cash and cash equivalents at end of period</b>	<b>xx</b>	<b>xx</b>



# New reporting model

## PS1202

*Refresher*

### Statement of net financial assets (net financial liabilities) - NEW and OPTIONAL

As at March 31		
	2026	2025
Financial assets	xx	xx
Less: Financial liabilities	xx	xx
Net financial assets (net financial liabilities)	xx	xx

OPTIONAL		Budget	2026	2025
	Net financial assets (liabilities) at beginning of year	xx	xx	xx
	Surplus (Deficit) for the period	xx	xx	xx
	Plus: Amortization of tangible capital assets	xx	xx	xx
	Less: (Gain) / loss on sale of tangible capital assets	xx	xx	xx
	Change relating to surplus or deficit	xx	xx	xx
	Acquisition of tangible capital assets	xx	xx	xx
	Change relating to acquisitions of non-financial assets	xx	xx	xx
	Change pertaining to net remeasurement gains (losses)	xx	xx	xx
	Increase (decrease) in net financial asset (liabilities)	xx	xx	xx
	Net financial assets (liabilities) at end of year	xx	xx	xx

### Budget figures new requirements

Approved budget should be presented. Only under very rare, specific circumstances amended budget figures can be presented, in which case additional disclosure is required.

If an entity reports the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities, presentation of budget figures is required on that statement. If not presented on its own statement, comparison to budget is required in the notes.

An entity may choose to report the net financial assets or net financial liabilities indicator on the statement of financial position or alternatively prepare a statement as illustrated.

An entity may choose to present details of the changes in net financial assets(liabilities).

# New reporting model

## PS1202

Refresher

How should public sector entity get ready for the implementation of the new reporting model:

01



Educate the finance team and users of the FS to new reporting model

03



Consider required changes to chart of account and mapping

05



Consider the revised budget requirements



Classify liabilities as financial and nonfinancial

02



Consider required changes to the system or tools used to create the FS.

04

# New reporting model

## PS1202

Classifying of financial and non-financial liabilities:



A **financial liability** is a liability that is expected to be settled using existing or future financial assets



A **non-financial liability** is a liability that does not meet the definition of a financial liability

Some liabilities may have **both** financial and non-financial components that **if** material, would be classified separately.

### Additional considerations

#### UNEARNED REVENUE

Defined as consideration is received in advance of the recipient entity:

- (a) fulfilling external restrictions as defined in RESTRICTED ASSETS AND REVENUES, Section PS 3100, or
- (b) fulfilling transfer stipulations or transfer stipulations and recipient actions and communications, as described in GOVERNMENT TRANSFERS, Section PS 3410; or
- (c) in relation to performance obligations, fulfilling enforceable promises to a payor under a contract or other arrangement pursuant to an exchange transaction (as described in REVENUE, paragraph PS 3400.028).

Classification of liability is done at the performance obligation level for each distinct good or services, no further subdivision required.

Each unearned revenue liability be examined at inception to see if it should be classified as financial or non-financial. Refer to application guidance, including decision trees, in PS 1202.

#### FUTURE EVENTS AND CHANGES IN CLASSIFICATION

Liabilities are classified at the financial statement date according to the obligated entity's expectations of how they will be settled. Future events may, however, require a liability to be reclassified and/or remeasured because expectations of how it will be settled have changed.

E.g. Capital transfer :

- to buy or build a capital asset (TCA) = financial liability until spent
- If there is a stipulations to use the TCA over a specified period = when spent liability is transferred to non-financial liability and amortized over the stipulated period.
- If there is a stipulation to use the TCA for a specified purpose and the entity no longer uses the asset for the stipulated purposes = reclassified to financial liability if expected to be repaid OR remains non-financial if the terms require the TCA to be returned.



# 2024-2025 Annual Improvements

Annual improvements were published in November 2025.



Effective for reporting periods starting 1 April 2026

## Terminology updates

### OLD

“government”

“reliability”

“presentation and disclosure”

### NEW

“public sector Entity”, “entity” or another appropriate term

faithful representation

“presentation” or “disclosure”

## Other updates

- amendments to enhance alignment of various sections of the PSA Handbook with PSAB's Conceptual Framework and Reporting Model; and
- other minor editorial updates to the PSA Handbook.

2

## Active projects

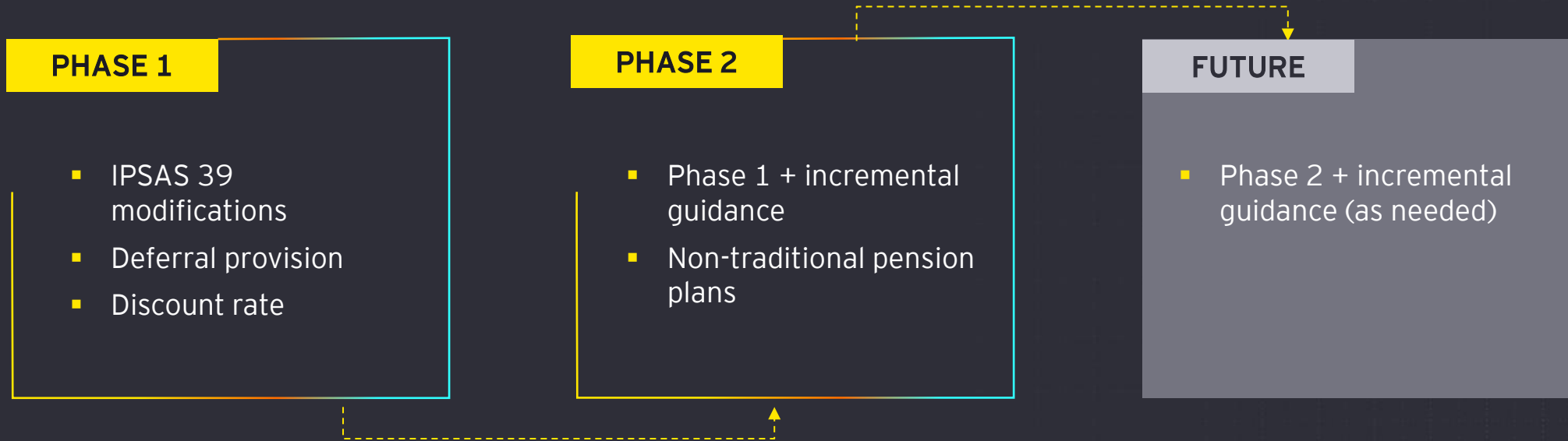


# Employee benefits

## PS3251

*Refresher*

In July 2021, PSAB issued Exposure Draft for new Standard PS 3251 "Employee Benefits"



**Superseded standards:**



PS 3250 Retirement benefits



PS 3255 Post-employment benefits, compensated absences and termination benefits



# Employee benefits

## PS3251

*Refresher*

Re-Exposure Draft was issued in October 2024.



Final Handbook Pronouncement expected in Q1 2026.

Effective April 1, 2029 - Retrospective application, with or without prior period restatement. Early adoption is encouraged.

### Substantive Amendments

#### Simplified approach

- Previously 3 types of plan funding status (fully funded, unfunded, partially funded)
  - Re-Exposure Draft removed “partially funded” plans
- Additional disclosure requirements for fully funded plans
  - Sensitivity analysis on the impact on plan’s defined benefit liability if measured on an underfunded basis

#### What discount rate to use?

- Fully funded plan = Expected market-based return on plan assets
- Underfunded = Market yield of government bonds, high-quality corporate bonds, or another appropriate financial instrument

#### How is funding status determined?

Leverage existing qualitative and quantitative funding evidence:

- **Primary indicators:**
  - Qualitative indicators - regulatory, legislative, or contractual funding requirements; and
  - Quantitative indicators - support of fully funded status based on the plan’s most recently prepared actuarial valuation for funding purposes
- **Secondary indicators**
  - Corrective actions the entity has taken to address funding shortfalls;
  - Accuracy in assessing historical short-term funding fluctuations; or
  - Other unique facts and circumstances of the plan

# Employee benefits

## PS3251

*Refresher*

Re-Exposure Draft was issued in October 2024.

### Non Substantive Amendments

#### Deferral provisions

- Present unamortized actuarial gains/losses as a component of accumulated remeasurement gains and losses
- Allow reclassification (on net basis) of remaining accumulated remeasurement gains/losses on settlement of a plan to accumulated surplus/deficit
- **Reminder: Exposure Draft removed deferral approach (i.e. actuarial gains/losses are recognized immediately)**

#### Social benefit programs

- Clarified these programs are not in scope of proposed PS 3251

#### Valuation of plan assets

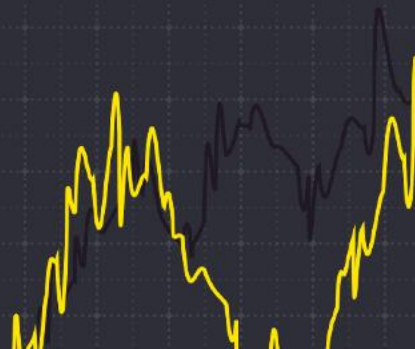
- Transitional provisions permitting entities to apply the proposed definition of plan assets prospectively

#### Category-wide plans

- Clarified these plans are not in scope of proposed PS 3251

#### Joint defined benefit plans

- Clarified to account for its participation in the same way as for a defined benefit plan (proportionate share of the defined benefit obligation, plan assets, and cost)



# Government not-for-profit ("GNFP") strategy

*Refresher*

## Refresher on the strategy

In March 2022, PSAB made a decision to incorporate PS 4200 series into PSAS with potential customization

- Customizations are limited to situations where there are substantial and distinct accountabilities between public sector entities and government NFP entities
- Consideration of guidance available in PS 4200 series to be made available to all public sector entities
- Improve comparability and understandability of financial statements

Standard-level projects implementation plan (revised project proposal planned to be approved in March 2025)

- Capital assets - PS 4230 and PS 4240 **[COMPLETED]**
- Contributions - PS 4210 and PS 4220 **[ACTIVE]**
- Financial statement presentation Reporting Model - PS 4200 and PS 4270 **[ACTIVE]**
- Reporting entity - PS 4250 **[NOT STARTED]**



# Government not-for-profit ("GNFP") strategy

*Refresher*

## Tangible capital assets

### Scope

- Review of PS 4230 "Capital Assets held by Not-for-Profit Organizations" and PS 4240 "Collections held by Not-for-Profit Organizations" and propose amendments to PS 3150 "Tangible Capital Assets"
- Sections PS 4230 and PS 4240 will be withdrawn when PS 3150 is effective
- Amendments issued in the Public Sector Accounting Handbook in May 2025

### Effective date and transitional provisions



Amendments applies to annual periods beginning on or after April 1 2030



Earlier application is permitted



Retrospective application, with restatement with prior years' figures

# Government not-for-profit ("GNFP") strategy

*Refresher*

## Tangible capital assets

### Key amendments to PS 3150

#### Definition of tangible capital assets

- Minor amendments to definition in PS 3150
- Clarified that tangible capital assets may be acquired, constructed or developed
- Computer software integral to related computer hardware is in scope of "tangible capital assets"

#### Capital asset recognition exemption

- PS 4230 allows entities with average annual revenues of less than \$500,000 a choice to either recognize or disclose its capital assets
- Recognition exemption removed - will be required to recognize capital assets in financial statements for all entities

#### Works of art, historical treasures and collections

- Currently PS 4200 series allow recognition of works of art, historical treasures and collections
  - Upon transition to PS 3150, GNFP applying PS 4200 series have to de-recognize those assets and provide disclosures only
- Enhanced definition of collection and disclosure requirements of works of art, historical treasures and collections

#### Purchases of capital assets substantially below fair value

- Incorporated existing guidance in PS 4230 into PS 3150
- Tangible capital asset acquired at substantially below fair value would be recognized at its fair value with the difference between the consideration paid for the tangible capital asset and fair value reported as a contribution

# Government not-for-profit ("GNFP") strategy

## Contributions and financial statement presentation

*New*

### Scope

- Review of PS 4210 "Contributions - Revenue Recognition", PS 4220 "Contributions Receivable", PS 4200 "Financial Statement Presentation by Not-for-Profit Organizations"; and PS 4270 "Disclosure of Allocated Expenses by Not-for-Profit Organizations" and propose amendments to Public Sector Accounting Handbook
- Develop enhanced guidance for endowments
- PS 4200 series will be withdrawn once all GNFP standard-level projects have been completed





# Government not-for-profit ("GNFP") strategy

## Contributions and financial statement presentation

*New*

### Preliminary issues

#### Contributions

Accounting for capital contributions

Two methods of revenue recognition

Endowments

Contributed materials and services

#### Financial statement presentation

Option to apply fund accounting

Net financial assets or net financial liabilities indicator

Budget to actual comparison

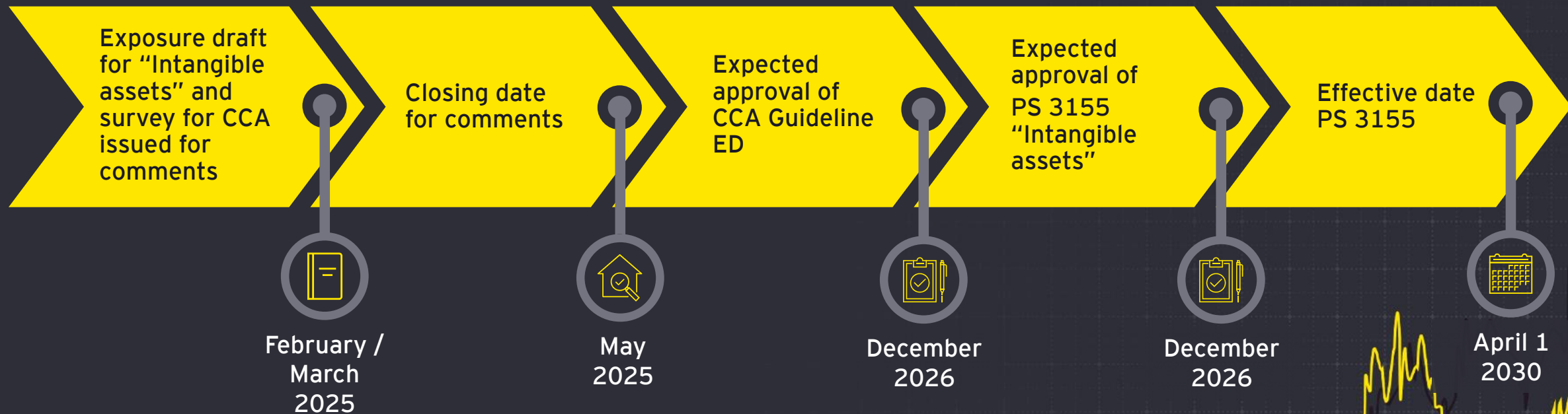
Current vs. non-current classification

# Intangible assets

*New*

## Overview of proposed new section PS 3155 “Intangible assets” and Guideline for cloud computing arrangements

- To develop (1) comprehensive foundation guidance on accounting of intangible asset; and (2) accounting guideline on cloud computing arrangements (“CCA”)
- PS 3155 “Intangible Assets” will replace the existing Public Sector Guideline (PSG) 8 “Purchased Intangibles” and minor updates to PS 1202 “Financial statement presentation”, PS 3150 “Tangible capital assets” and PS 3410 “Government transfers”



# Intangible assets

## Scope

*New*

### Standard applies to

Acquired intangibles (including purchased)

Internally generated (developed) intangibles

### Standard does not apply to

Intangible assets in another section (PS 3160) or financial instrument assets (PS 3450)

Delegated/granted Sovereign rights

Intangible assets arising from insurer's contractual rights under insurance contracts

Exploration and evaluation assets related to mineral resources or expenditure on development and extraction of non-renewal resources (mineral, oil, natural gas)

Intangible assets held as inventory or for sale



# Intangible assets

## Definition

*New*

An **intangible asset** is an identifiable non-monetary economic resource without physical substance, and is

- separate and identifiable from goodwill;
- controlled by entity;
- has future economic benefits flowed from the intangible resource; and
- result of a past transaction and/or other events.



### Common examples include

- ✓ Software that is not integral to the related computer hardware
- ✓ Patents
- ✓ Copyrights
- ✓ Acquired fishing licenses
- ✓ Acquired import quotas



### Common examples exclude

- ✓ Software that is integral to the related computer hardware is accounted as tangible capital asset under PS 3150
- ✓ Internally generated brands, goodwill, mastheads, and publishing titles should not be recognized as intangible assets

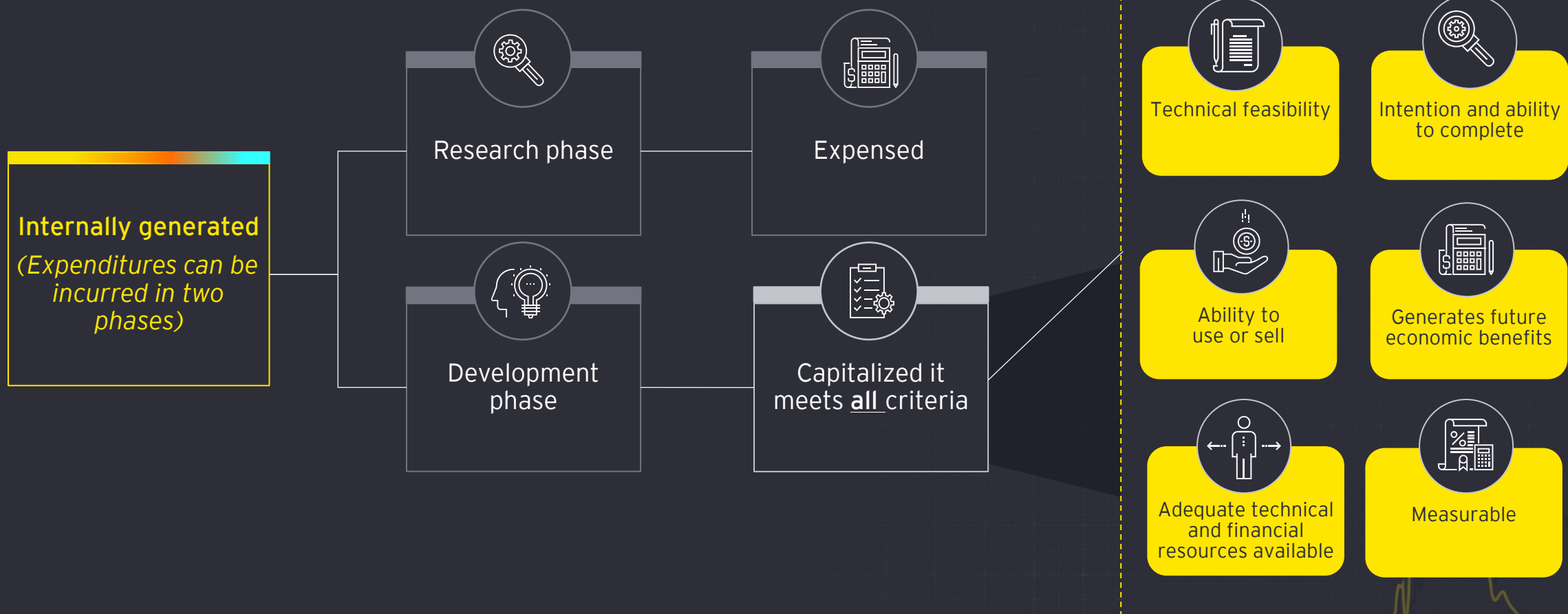
# Intangible assets

## Recognition criteria

New

An **intangible asset** can be separately acquired or internally generated. It is recognized when it:

- meets the definition of an intangible asset (previous slide); and
- cost can be measured in a faithfully representative way.



# Intangible assets

## Recognition criteria

*New*

### Examples

#### Research activities

Activities aimed at obtaining new knowledge

Search, evaluation and final selection of applications of research findings

Search for alternatives for materials, devices, products, processes, systems or services

#### Development Activities

Design, construction, and testing of pre-production or pre-use prototypes and models

Design of tools, jigs, moulds and dies involving new technology

Design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services

Website and software development



# Intangible assets

## Measurement criteria

*New*

### Initial measurement

**Separately acquired** - record at cost (i.e. purchase price + directly attributable expenditures to prepare an asset for intended use)

Examples of directly attributable expenditures:

- ✓ Employee costs to bring asset to its working condition
- ✓ Professional fees
- ✓ Testing costs to verify whether asset is functioning properly

Excluded costs:

- ✓ Costs to introduce new **product** or service (advertising or promotional activities) are expensed

**Internally generated** - record directly attributable costs necessary to create, produce, and prepare asset for operation

Examples of directly attributable expenditures:

- ✓ Materials and services costs
- ✓ Employee costs to generate the asset
- ✓ Registration and legal fees

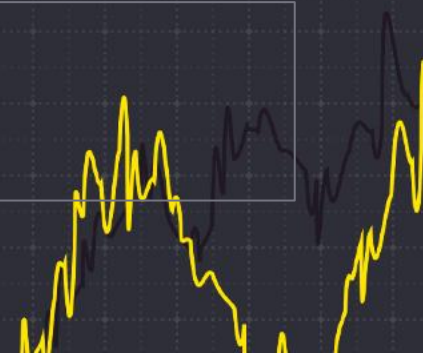
Excluded costs:

- ✓ Admin and overhead costs not directly attributable to preparing the asset for use
- ✓ Costs due to inefficiencies or initial deficits
- ✓ Training costs



### Subsequent measurement

Cost less accumulated amortization and accumulated impairment losses



# Intangible assets

## Measurement criteria

*New*

### Amortization

- ✓ Should reflect consumption pattern of future economic benefits related to the intangible asset
- ✓ Intangible assets with indefinite useful lives should not be amortized and tested for annual impairment



### Impairment

- ✓ Required when certain impairment indicators are present
- ✓ Impairment occurs when the carrying amount > recoverable service amount
- ✓ Recoverable service amount is higher of:
  - ✓ Fair value less cost to sell
  - ✓ Value in use (i.e. PV of asset's remaining service potential)
- ✓ Impairment losses are **expensed** and **cannot** be reversed

# Intangible assets

## Disclosures

*New*

Required disclosures for each class of intangible assets include:



Useful lives and  
amortization methods



Carrying amounts  
(additions, disposals,  
impairment losses)



Assets that are not  
amortized, contributed  
or nominally valued



Capitalized interest

Intangible works of art, historical treasures and collections are only disclosed and are not recognized



# Intangible assets

## Transitional guidance

*New*

Effective date to  
fiscal years  
beginning on or  
after April 1 2030



Earlier adoption  
is permitted



New transactions  
occurring on or  
after April 1 2030

OR



**Modified  
retroactive  
application**

*Restate prior years  
but entities may use  
current information  
only for useful life  
and impairment*

# Stay informed

Through your auditor on upcoming changes and impacts to your organization

---

Subscribe to The Standard - tailored email about AcSB's and PSAB's NFPO activities

- [www.frascanada.ca/subscribe](http://www.frascanada.ca/subscribe)
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Through the CPA Canada website

- [www.frascanada.ca](http://www.frascanada.ca)

For private sector NPOs:

- [www.frascanada.ca/standards-for-not-for-profit-organizations](http://www.frascanada.ca/standards-for-not-for-profit-organizations)
- Will also have applicability to NPO's: [www.frascanada.ca/en/aspe](http://www.frascanada.ca/en/aspe)

For public sector NPOs:

- <https://www.frascanada.ca/public-sector>



Shape the future  
with confidence



# Mission Ready AI

Confident adoption, real-world impact, and what  
to do when it goes wrong!

# AI in Finance: Insights from the Market

69%

Expect their organization to increase investment in AI and other technologies to improve reporting and decision-making.<sup>1</sup>

57%

More than half of investors said an AI tool that could assess the credibility and accuracy of a company's data disclosures would be "very useful".<sup>1</sup>

"The struggle to retain and deploy Tax and Finance people is peaking. ...GenAI can help fill the gaps, as well as help tax and Finance leaders deliver more strategic insights that C-suite executives want".<sup>3</sup>

85%

Of controllers surveyed report using tools, and nearly two-thirds say they use GenAI frequently in their work.<sup>2</sup>

AI can transform the efficiency of core Finance processes, strengthen the effectiveness of data analytics and generate insights that enable value creation<sup>1</sup>

Companies with cultures that embrace innovation, change, curiosity, and challenge are best positioned to succeed with AI. CFOs and Finance leaders should actively connect AI deployment to culture change.<sup>1</sup>

Sources:

<sup>1</sup> 2025 EY Global Corporate Reporting Survey

<sup>2</sup> 2024 EY Global DNA of the Financial Controller Survey

<sup>3</sup> 2024 EY Tax and Finance Operations Survey



# Role of AI in Finance

From automation to advanced analytics, AI is reshaping every Finance Function, focusing on three key areas:

## AI Use Case Focus Areas



### Automating manual processes

AI-driven automation can help **reduce operational costs, improve efficiency, and enhance accuracy.**

- Reconciliation Automation
- Intelligent Accounts Payable & Receivable Processing
- Automated Trial Balance Validation & Analysis
- Smart Risk & Credit Assessments



### Enhancing Decision making

AI enables Finance teams to **make more informed, data-driven decisions** by leveraging advanced analytics, predictive modeling, and real-time insights.

- Predictive Forecasting & Scenario Analysis
- AI-driven Fraud Detection
- Cost Optimization & Expense Management



### Strengthening Compliance

AI can help Finance functions **ensure adherence to compliance requirements and mitigate risks** while reducing manual effort.

- Enhanced Regulatory Monitoring & Reporting
- AI-powered Anti-Money Laundering (AML) & Know Your Customer (KYC)
- NLP-Powered Contract & Policy Management
- AI-enabled Audit & Controls Monitoring

# High Impact Use Cases Across Finance & Tax

From automation to advanced analytics, AI is reshaping every Finance Function. These capabilities enable accuracy, speed, and strategic insights across policy, reporting, planning, and risk management.

	Efficiency Gains and Cost Savings			Revenue Growth and Value Creation		
All	<b>Knowledge management hub</b>	Self-guided report generation	Interactive data visualization	<b>Finance chatbot</b>		
FP&A	Insight generation	Variance and root cause analysis	<b>Management report automation</b>	<b>Enhance forecasting accuracy</b>	Scenario/what if analysis	Profitability analytics
Record to Report	<b>Reconciliation</b>	<b>Automate data entry</b>	Generate journals based on underlying contracts	<b>Financial reporting narratives</b>	<b>Automate validation checklist</b>	Optimize accounting close
Treasury	Funding deck generation	Liquidity report cross validation	Transaction monitoring for reg compliance	Cash flow forecasting	FX monitoring and auto hedging	Investment and working capital optimization
S2P/O2C	<b>Data extract and analysis from contracts</b>	<b>Invoice processing automation</b>	Automate delinquent alerts	Vendor expense analysis	Analyze AR and recommend collection strategy	Fraud detection
Tax & Compliance	<b>Data error detection and remediation</b>	Tax & compliance process automation	<b>Risk event horizon scanning</b>	Trial Balance validation and analysis	Risk and anomaly detection	Tax Authority information request document generation

**Keys to scale:** **Data quality** used by the AI and Gen AI models across the different layers of automation



**Finance and Tax professionals'** readiness to understand the possibilities of the technology and to lead the AI journey

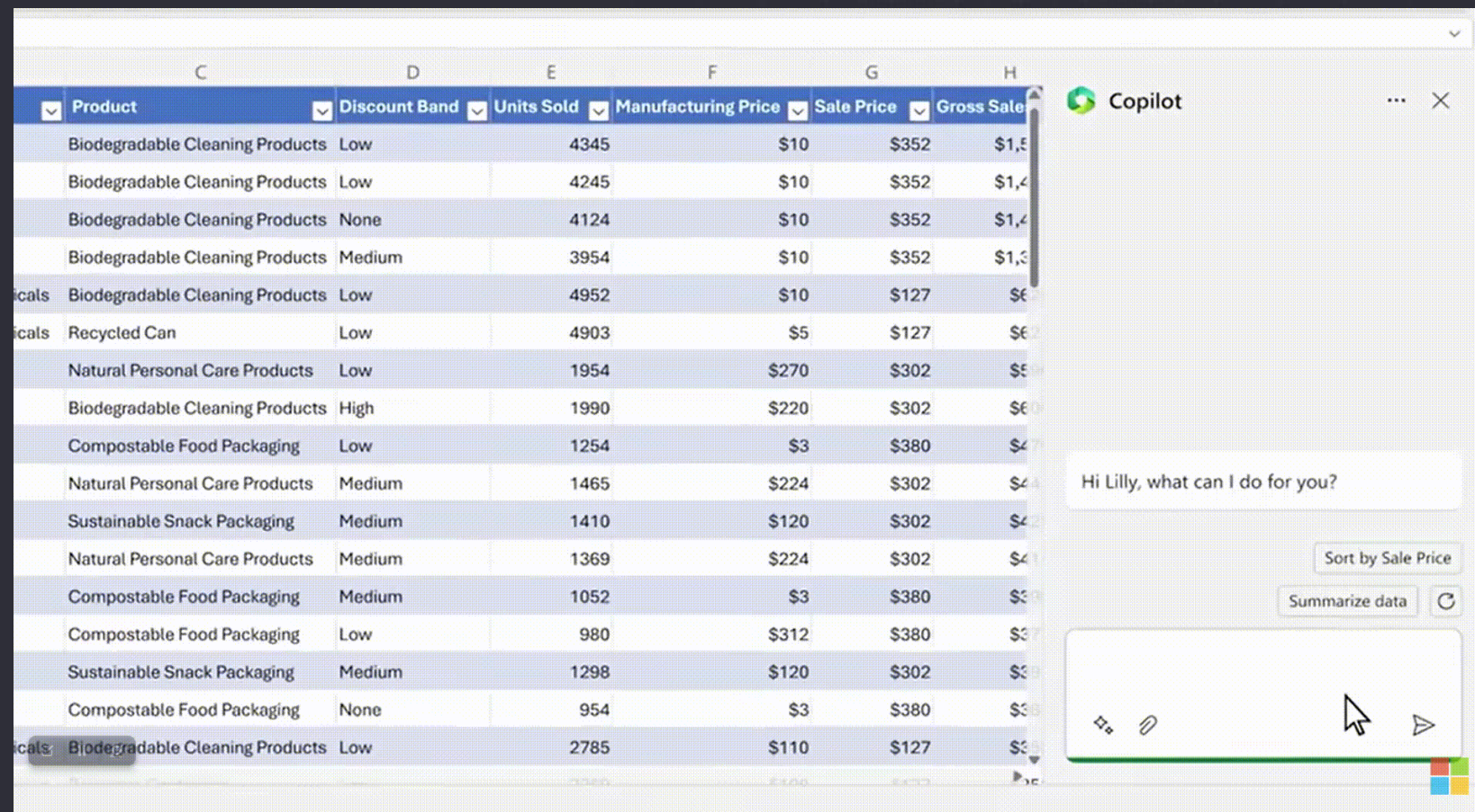
# GenAI Case - Microsoft Copilot in Reporting

## Value Delivered

In this example, combining the power of Microsoft's Copilot program achieved the following results:

- 55% reduction in programming time
- 88% of users reported being more productive
- 74% reported being able to focus on more satisfying work
- 77% reported spending less time searching for information and examples.

“Microsoft Copilot: Microsoft 365 Copilot uses the superpowers of AI to *eliminate the tediousness of work*. | PCWorld



	C	D	E	F	G	H
	Product	Discount Band	Units Sold	Manufacturing Price	Sale Price	Gross Sale
	Biodegradable Cleaning Products	Low	4345	\$10	\$352	\$1,5
	Biodegradable Cleaning Products	Low	4245	\$10	\$352	\$1,4
	Biodegradable Cleaning Products	None	4124	\$10	\$352	\$1,4
	Biodegradable Cleaning Products	Medium	3954	\$10	\$352	\$1,3
icals	Biodegradable Cleaning Products	Low	4952	\$10	\$127	\$6
icals	Recycled Can	Low	4903	\$5	\$127	\$6
	Natural Personal Care Products	Low	1954	\$270	\$302	\$5
	Biodegradable Cleaning Products	High	1990	\$220	\$302	\$6
	Compostable Food Packaging	Low	1254	\$3	\$380	\$4
	Natural Personal Care Products	Medium	1465	\$224	\$302	\$4
	Sustainable Snack Packaging	Medium	1410	\$120	\$302	\$4
	Natural Personal Care Products	Medium	1369	\$224	\$302	\$4
	Compostable Food Packaging	Medium	1052	\$3	\$380	\$3
	Compostable Food Packaging	Low	980	\$312	\$380	\$3
	Sustainable Snack Packaging	Medium	1298	\$120	\$302	\$3
	Compostable Food Packaging	None	954	\$3	\$380	\$3
icals	Biodegradable Cleaning Products	Low	2785	\$110	\$127	\$3

Microsoft Copilot interface overlay:

Hi Lilly, what can I do for you?

Sort by Sale Price

Summarize data

# ML Case - Automation of Financial Forecasting

## Client Challenge

- Historical forecasts for key performance indicators (KPIs) were consistently inaccurate
- Inaccurate KPIs (e.g., EBIT) led to mistrust, preventing their use in financial planning
- Missing data made it difficult to implement rolling forecasts
- Limited reliability in identifying which months or deviations contributed to overall variance
- Historical deviations could not be excluded from future forecasts, resulting in unreliable projections



## EY Approach

- Implemented machine learning-based forecasting with automatic hyperparameter selection
- Validated data and analyzed the accuracy of existing forecasts
- Integrated business rules based on segment-specific behaviors to enhance accuracy
- Developed a data model for scenario-based planning
- Operationalized dashboards for planning and analysis
- Analyzed over 130,000 data points



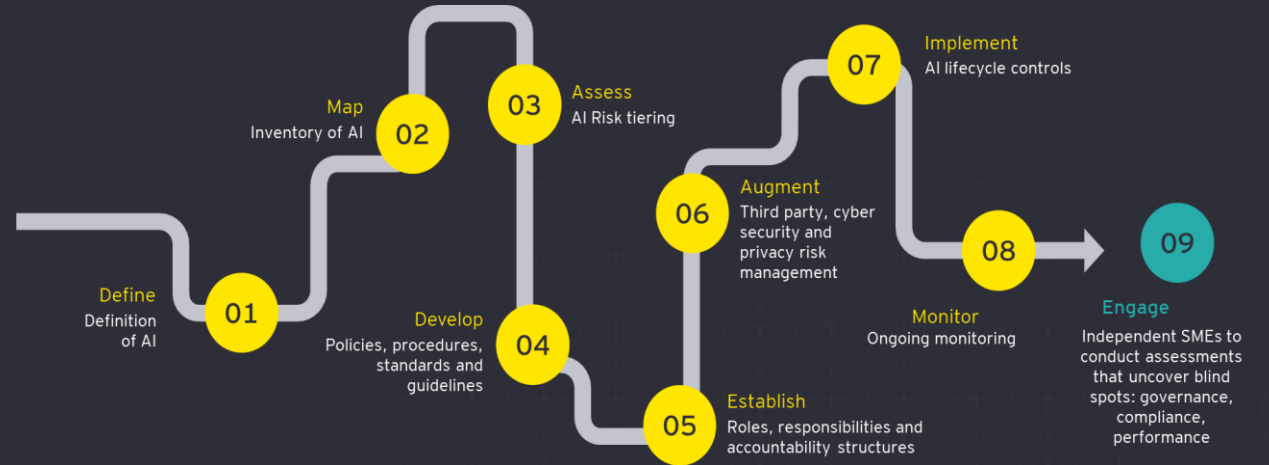
## Value Delivered

- Achieved a 36% improvement in EBIT forecast accuracy
- Automated 52 positions
- Implemented a self-learning system that improves over time using business rules and external factors
- Enabled rolling forecasts and agile planning cycles for rapid market response
- Provided month-over-month visualizations and forecasts to allow quick corrections in case of planning errors





“Stakeholder expectations are interconnected, and **confidence is shaped by the journey**, not the destination. Every AI-driven decision will be judged not by the sophistication of the tool, but by whether it builds confidence.”



1



TRUST

2

MISSION  
READINESS

3

HUMAN  
JUDGEMENT

# Trust Is the Product – Not the By-Product.

# 1

## TURNING PRINCIPLES INTO ACTION

Confident (and responsible) AI deployment begins by asking questions like:

- Who might be impacted (or harmed) if this system makes an error?
- Who needs clarity on how this decision was reached?
- Could we justify this result to a donor, auditor, or journalist – without resorting to “it’s just the model” and hiding behind the technology?

## WHAT GOOD LOOKS LIKE

- AI results come with clear, plain-language explanations for non-technical audiences.
- Finance leaders can confidently convey assumptions, limitations, and levels of certainty.
- Every AI-influenced decision includes documented human reasoning – not just system outputs.
- Donors, boards, and auditors receive transparent insights, never opaque “black-box” answers.



If AI erodes trust, efficiency becomes irrelevant. AI isn’t just in the background – it subtly shapes decisions that impact finances, access, and lives.

**Trust is the value proposition!**

# Mission Readiness Over Model Readiness.

## 2

### TURNING PRINCIPLES INTO ACTION

Before launching AI, leading organizations ask:

- Does this truly advance our mission – or just speed things up?
- Does this uphold our values, equity commitments, and public responsibilities?
- Are our people empowered to challenge AI – or merely acquiescent to its decisions?

### WHAT GOOD LOOKS LIKE

- Clearly defined boundaries for where AI can – and cannot – be used.
- Formal mission-alignment checks before any AI rollout.
- Teams trained to scrutinize and contextualize AI outputs, not blindly defer to them.
- Governance structures that ensure AI decisions are reviewed through a mission and equity lens, not just ROI.



Most AI setbacks stem from mission misalignment – not technical flaws. AI often arrives ahead of governance, role clarity, disciplined data practices, staff confidence, and leadership alignment.

**A powerful model deployed into an unprepared organization creates risk, not confidence.**

# Keep Humans in the Loop – Intentionally.

## 3

### TURNING PRINCIPLES INTO ACTION

Confident (and responsible) AI deployment demands deliberate human checkpoints.

Leaders should be able to answer:

- Where (and when) does human judgment explicitly override an AI recommendation?
- Who owns it when things go wrong?
- Which decisions will remain human-led – no matter how accurate AI becomes?

### WHAT GOOD LOOKS LIKE

- Clear assignment of human decision-makers for every AI-supported process.
- Established override and escalation protocols when AI outputs are disputed.
- Demonstrated evidence that leaders actively review, question, and contextualize AI recommendations.
- A culture where human judgment is visible, expected, valued and protected.



AI doesn't fail because it acts autonomously. It fails when leaders surrender their judgment. Confidence erodes fastest when: AI recommendations become the default, accountability becomes murky, and humans stop questioning the output.

**AI should inform human judgment – not replace it.**



# When AI Goes Wrong: Recognize and Contain



## Early Warning Signs:

### *What you'll notice first*

- Unusual or inconsistent AI outputs
- Complaints from users, donors, or staff
- Financial anomalies or reporting discrepancies
- Alerts from vendors, auditors, or internal controls



## Speed and Containment:

### *The first decisions that matter*

- Pause or limit AI-driven processes
- Prevent further propagation of errors or bias
- Preserve data, logs, and decision trails
- Stabilize operations before investigating root cause



## Ownership and Decision Rights:

### *Clarity under pressure*

- Who can stop the system
- Who leads the investigation
- Who informs leadership and the board
- Who speaks externally, if required



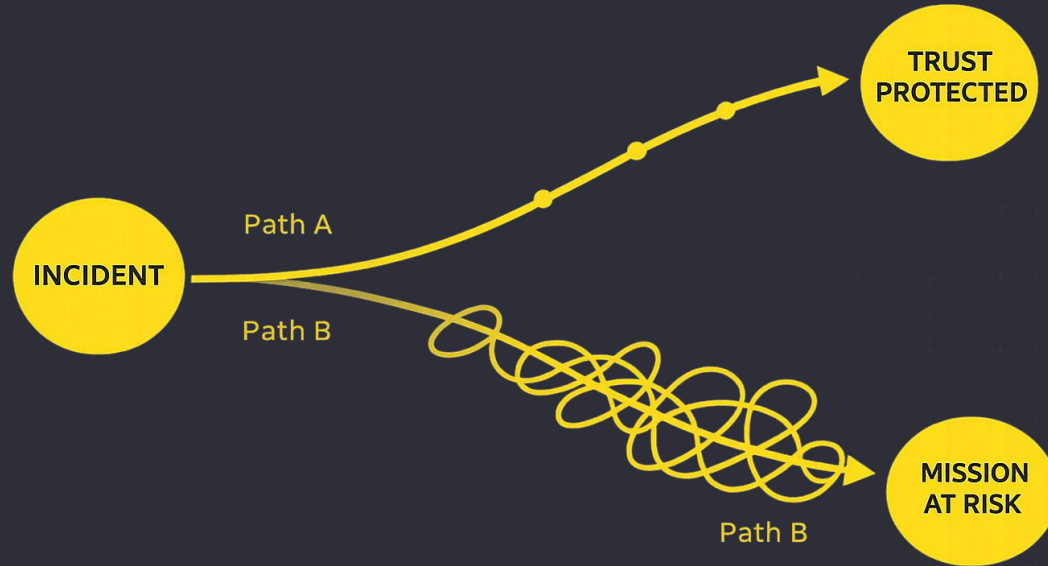
## Assume Scrutiny:

### *Act as if you will need to explain this later*

- Document what happened and when
- Capture decisions and rationale
- Preserve evidence for auditors, regulators, or funders
- Prepare for public or stakeholder questions

# From Incident to Trust: Respond, Report, Learn.

*The Outcome Is Determined by How You Respond, Not What Happened*



## CLEAR REPORTING PROTOCOLS

Internal escalation, board visibility, external disclosure where required

## REMEDATION WITH CREDIBILITY

Fix the issue, explain the impact, show what changes

## COMMUNICATION OVER REASSURANCE

Facts, accountability, and empathy – not technical deflection

## LEARN AND HARDEN

Feed lessons back into governance, controls, and AI use decisions

# Call to action



Lean into the AI opportunity – deliberately.



Introduce AI with guardrails, not brakes



Assume failure will occur – and plan accordingly



Align financial resilience to operational reality



Keep learning as fast as the technology evolves



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# Q&A



# Closing remarks



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