



CFDC of Stuart Nechako  
Western Economic Development  
March 31, 2020





## **CFDC of Stuart Nechako**

2020 Audit Findings

Report to the Audit Committee

March 31, 2020

Dorie Pesicka, CPA

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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 financial statements of CFDC of Stuart Nechako (the "Corporation") as at March 31, 2020 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 Audit Committee.

As auditors, we report to the members on the results of our examination of the financial statements of the Corporation as at and for the year ended March 31, 2020. The purpose of this Report is to assist you, as members of the Audit Committee, in your review of the results of our audit.

This Report is intended solely for the information and use of the Audit Committee 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 satisfactorily completed our audit of the financial statements of the Corporation 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 remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- Receipt of external confirmations sent to third parties;
- Discussion of subsequent events with the Audit Committee;
- The Audit Committee's review and approval of the financial statements.

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

## INDEPENDENT AUDITOR'S REPORT



We expect to have the above procedures completed and to release our Independent Auditor's Report on August 4, 2020.







Unless unforeseen complications arise, our Independent Auditor's Report will provide opinion to the members of the Corporation. 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 financial statements considered separately.

### SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

| AREA   | COMMENTS  |
|--|---|
|  <b>CHANGES FROM AUDIT SERVICE PLAN</b> | There were no deviations from the Audit Service Plan previously presented to you/ Over the course of our audit, the following deviations were made from the Audit Service Plan. |
|  <b>FINAL MATERIALITY</b>               | Final materiality used for our audit was \$- for March 31, 2020, and \$- for March 31, 2019.  |
|  | While our audit cannot be relied upon to detect all   |

| AREA   | COMMENTS  |
|--|---|
|  <b>IDENTIFIED OR SUSPECTED FRAUD</b>   | 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.  |
|  <b>IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS</b>                                  | 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.  |
|  <b>MATTERS ARISING IN CONNECTION WITH RELATED PARTIES</b>  | No significant matters arose during the course of our audit in connection with related parties of the Corporation.  |
|  <b>AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES</b> | <p>The application of Canadian accounting standards for not-for-profit organizations allows and requires the Corporation 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 Corporation'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 Corporation are appropriate and have been consistently applied.</p> |
|  <b>FINANCIAL STATEMENT DISCLOSURES</b>   | 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.  |
|  <b>MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT</b>  | There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.  |

#### OTHER AREAS

| AREA                                      | COMMENTS  |
|---|---|
| <b>AUDITOR INDEPENDENCE</b>               | We confirm to the Audit Committee that we are independent of the Corporation. Our letter to the Audit Committee discussing our independence is included as part of the additional materials attached to this report.  |
| <b>[MANAGEMENT] REPRESENTATIONS</b>       | 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. |
| <b>SUMMARY OF SIGNIFICANT DIFFERENCES</b> | No significant differences were proposed to management  |

| AREA | COMMENTS   |
|------|--|
|      | with respect to the March 31, 2020 financial statements. |

#### SUMMARY OF SIGNIFICANT DIFFERENCES

#### SIGNIFICANT ADJUSTED DIFFERENCES

| DIFFERENCES NOTED AND ITEMS AFFECTED | [BALANCE SHEET] | [EARNINGS] |
|--------------------------------------|-----------------|------------|
|--------------------------------------|-----------------|------------|

#### SIGNIFICANT UNADJUSTED DIFFERENCES

| DIFFERENCES NOTED AND ITEMS AFFECTED | [BALANCE SHEET] | [EARNINGS] |
|--------------------------------------|-----------------|------------|
|--------------------------------------|-----------------|------------|

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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## MNP LLP – Wherever Business Takes You

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### About MNP LLP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.



August 4, 2020

The Board of Directors  
CFDC of Stuart Nechako  
Box 1078  
2750 Burrard Avenue  
Vanderhoof, BC V0J 3A0

Dear Sirs/Mesdames:

We have been engaged to conduct specified audit procedures as required by Western Economic Development of CFDC of Stuart Nechako ("the Organization") for the year ended March 31, 2020.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Organization and its related entities or persons in financial reporting oversight roles at the Organization and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider 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 Organization and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from April 1, 2019 to August 4, 2020.

We hereby confirm that MNP is independent with respect to the Organization within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of August 4, 2020.

This report is intended solely for the use of the Board of Directors, management and others within the Organization 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 at our upcoming meeting. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**Chartered Professional Accountants**

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# Independent Practitioner's Reasonable Assurance Report on Compliance

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To the Western Economic Diversification:

We have undertaken a reasonable assurance engagement of Community Futures Development Corporation of Stuart Nechako (the Corporation) compliance during the period April 1, 2019 to March 31, 2020, with the specified criteria established in Section 5, 8, 10, 13 and Attachment "B" II. A. subsections 1 (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), and (xvi) of the Contribution Agreement (the Agreement) between Western Economic Diversification (WED) and the Corporation.

## *Management's Responsibility*

Management is responsible for the Corporation's compliance with the criteria established in Section 13 and Attachment "B" II. A. subsections 1 (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), and (xvi) of the Agreement between WED and the Corporation.

Management is also responsible for such internal control as management determines necessary to prevent and detect material misstatements within the Corporation's financial statements.

## *Our Responsibility*

Our responsibility is to express an opinion on the Corporation's compliance with the Agreement based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Corporation complied with the Agreement between WED and the Corporation, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

## *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## *Opinion*

In our opinion, except for the exception noted, the Corporation complied with the specified requirements set out in the Agreement between WED and the Corporation in all significant respects.

We do not provide a legal opinion on the Corporation's compliance with the specified requirements.

Prince George, British Columbia

August 4, 2020

*MNP LLP*

Chartered Professional Accountants

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**Community Futures Development Corporation of Stuart Nechako  
Summary of Exceptions to be Noted in the Auditor's Report  
For the year ended March 31, 2020**

There was one exception noted in the fiscal year for 2020. Per Paragraph 13.1:

*Each director, officer or employee acts in the best interest of the Corporation and discloses the material facts regarding his or her interest in a proposed transaction should it potentially give rise to a conflict of interest.*

During the fiscal year, the Executive Director became a 33% shareholder in a jointly owned company where the Corporation owns the remaining 67%. Although the Executive Director did not receive income from this corporation during the year, this 33% ownership represents a conflict of interest and therefore a non-compliance with section 13.1.

No further exceptions existed during the fiscal year 2020.

Graham Stanley  
Community Futures Development Corporation of Stuart Nechako  
Box 1078  
Vanderhoof, BC V0J 3A0

August 4, 2020

MNP, LLP  
299 Victoria Street, Suite 500  
Prince George, BC V2L 5B8

To Whom It May Concern:

In connection with your engagement to apply specified audit procedures regarding the Western Economic Diversification compliance audit of Community Futures Development Corporation of Stuart Nechako, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your engagement:

1. We are responsible for the presentation, measurement, valuation, and calculation of all information provided as audit evidence.
2. Where the impact of any frauds or suspected frauds, and illegal or possibly illegal acts, has a non-trivial effect on the financial information, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over internal 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, that may affect the specified auditing procedures.
3. We understand that the procedures would not necessarily detect errors, illegal acts, fraud or other irregularities, should there be any.
4. We are responsible for selecting the procedures, defined in the Engagement letter, and for determining that such procedures are appropriate for the specified parties' purposes. We understand that the procedures may not reveal all material facts pertaining to the specified audit items.
5. We have disclosed to you all relevant information in relation to the specified audit items.
6. There have been no adverse or negative communications from regulatory agencies, internal auditors, and other independent consultants relating to the specified audit items, including communications received between April 1, 2019 and July 21, 2020.
7. There are no material transactions that have not been properly recorded in the accounting records underlying the specified audit items.
8. No events have occurred subsequent to March 31, 2020 that would require adjustment to the specified audit items.
9. Your report is intended solely for the information and use of Western Economic Development and is not intended to be, and should not be, used by anyone other than this specified party.

10. As member of management of Community Futures Development Corporation Stuart Nechako, we believe that Community Futures Development Corporation Stuart Nechako has an accounting system and systems of internal controls sufficient to permit the preparation of accurate financial information.
11. We have made available to you all financial records and related data.
12. We have disclosed to you all plans or intentions that may materially affect the specified audit procedures.
13. We acknowledge the engagement letter dated April 1, 2020, which states the terms of reference regarding your professional services.

Yours truly,  
Graham Stanley, Executive Director

Signature

Date

August 12, 2020

April 1, 2020

Mr. Graham Stanley  
Community Futures Development Corporation of Stuart Nechako  
Box 1078  
2750 Burrard Avenue  
Vanderhoof, BC V0J 3A0

Dear Mr. Stanley:

This letter will confirm the arrangements discussed with you regarding the services we will render to Community Futures Development Corporation of Stuart Nechako (the "Corporation") commencing with the fiscal year ending March 31, 2020.

### **Our responsibilities**

We will audit the financial statements of Community Futures Development Corporation of Stuart Nechako for the year ended March 31, 2020. In addition, we will provide you with a report containing our opinion on the Corporation's compliance with the Western Economic Diversification agreement.

Our audit will be conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we will plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error.

Our responsibilities, objective, scope, independence and the inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards are detailed in Appendix A, which forms part of our mutual understanding of the terms of this engagement.

### **Management's responsibilities**

The operations of the Corporation are under the control of management, which has responsibility for the accurate recording of transactions and the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. This includes the design, implementation and maintenance of internal control relating to the preparation and presentation of the financial statements.

Appendix B, which describes in detail management's responsibilities with respect to this engagement, forms part of our mutual understanding of the terms of this engagement.

### **Reporting**

Unless unanticipated difficulties are encountered, our report will be substantially in the form illustrated in Appendix C.

### **Fees and expenses**

Our fees and expenses are discussed in detail in Appendix D.

### **Other matters**

We will, as permitted by the Rules of Professional Conduct, provide additional services upon request, in areas such as taxation, leadership and human resource management, communication, marketing, strategic planning, financial management and technology consulting.

Our standard terms and conditions, included as Appendix E, form part of our mutual understanding of the terms of this engagement. In the event that you choose to terminate this engagement based on the terms outlined in Appendix E, we reserve the right to notify all financial statement users of the change.

The privacy and security of the personal information you provide is important to us. We strive to ensure the strictest compliance with all applicable provincial and federal standards of protection and disclosure of personal information by any and all of our employees, agents, divisions and/or affiliates (referred to collectively as "MNP"). You may review our privacy policy at [www.mnp.ca](http://www.mnp.ca). We will not collect, use, or disclose any of your personal information without your knowledge and consent, unless required to do so by legal authority or the applicable provincial Rules of Professional Conduct.

By signing this engagement letter you agree that for the purposes of this engagement MNP may collect, use, and disclose personal information in accordance with our privacy policy. You also agree that MNP may collect and use personal information from you for the purposes of providing other services or informing you of other opportunities from time to time ("Other Matters"). Personal information that is not relevant to the purposes of this engagement or to any Other Matters will not be disclosed to anyone for any reason without your further prior consent.

In accordance with professional regulations and by Firm policy, our client files must be periodically reviewed by provincial or national practice inspectors and by other Firm personnel to ensure we are adhering to professional and Firm standards. Confidentiality of client information will be maintained throughout this process.

The arrangements outlined in this letter and its appendices will continue in effect from year to year, unless changed in writing.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning the second copy of this engagement letter to us.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and Community Futures Development Corporation of Stuart Nechako.

Sincerely,

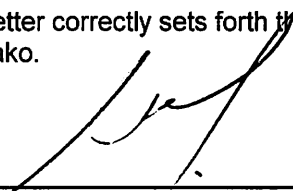
**MNP LLP**

**Chartered Professional Accountants**

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**RESPONSE:**

This letter correctly sets forth the understanding of Community Futures Development Corporation of Stuart Nechako.

  
\_\_\_\_\_  
Officer Signature

GENERAL MANAGER  
Title

June 11, 2020  
Date

cc: Board of Directors

**MNP**

## **Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations**

The following details our responsibilities as auditors and the objective, scope, independence and inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards.

### **Our responsibilities, objective and scope**

Our audit will be planned and performed to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. If any of the following matters are identified, they will be communicated to the appropriate level of management:

- Misstatements, resulting from error, other than immaterial misstatements;
- Fraud or any information obtained that indicates that a fraud may exist;
- Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern;
- Any evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations has occurred;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatements; and
- Related party transactions identified that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

Furthermore, we will consider the Corporation's controls over financial reporting for the purpose of identifying types of potential misstatement, considering factors that affect the risks of material misstatement, and determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements.

### **Independence**

The Rules of Professional Conduct require that we are independent when conducting this engagement. We will communicate to the Audit Committee or equivalent any relationships between the Corporation (including related entities) and MNP LLP ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence.

Further, we will confirm in writing our independence with respect to the Corporation.

If matters should arise during this engagement that can reasonably be assumed to have impaired our independence, we may need to withdraw from this engagement.

### **Audit limitations**

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. This includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations** *(continued from previous page)*

It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of factors such as the use of judgment, selective testing of data, inherent limitations of controls, and the fact that much of the audit evidence available is persuasive rather than conclusive in nature.

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material misstatement due to fraud.

While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, we cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The audit of the financial statements and the issuance of our audit opinion are solely for the use of the Corporation and those to whom our report is specifically addressed. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party. If our name is to be used in connection with the financial statements, you will attach our independent audit report when distributing the financial statements to third parties.

We ask that our names be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

## Appendix B: Management Responsibilities

During the course of our audit, you will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including:

- Financial records and related data;
- Copies of all minutes of meetings of directors and committees of directors;
- Access to personnel to whom we may direct our inquiries;
- Information relating to any known or possible instances of non-compliance with laws, legislative or regulatory requirements (including financial reporting requirements);
- Information relating to all related parties and related party transactions; and
- Allowing access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

Management's responsibility with respect to fraud and misstatement includes:

- The design and implementation of controls for its prevention and detection;
- An assessment of the risk that the financial statements may be materially misstated;
- Disclosure of situations where fraud or suspected fraud involving management, employees who have significant roles in controls, or others, where the fraud could have a material effect on the financial statements, have been identified or allegations have been made; and
- Communicating your belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our audit in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

If the Corporation plans any reproduction or publication of our report, or a portion thereof, printer's proofs of the complete documents should be submitted to us in sufficient time for our review, prior to making such documents publicly available. It will also be necessary for you to furnish us with a copy of the printed report. Further, it is agreed that in any electronic distribution, for example on Community Futures Development Corporation of Stuart Nechako's website, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported, and for informing us of any subsequent changes to such documents. However, we are responsible to read the documents to ensure accuracy, and consider the appropriateness of other information accompanying the audited financial statements, upon initial posting.



## Appendix C: Illustrative Independent Auditor's Report

To the Board of Community Futures Development Corporation of Stuart Nechako:

### Opinion

We have audited the financial statements of Community Futures Development Corporation of Stuart Nechako (the "Corporation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

## Appendix C: Illustrative Independent Auditor's Report *(continued from previous page)*

are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Prince George, British Columbia

Chartered Professional Accountants

## Appendix D: Fees and Expenses

Our fees are determined on the basis of time spent on the engagement at the tariff rates of various members of our team. Any disbursements will be added to the billing.

The estimate of fees for the audit services to be provided are \$11,000, plus travel and any other out-of-pocket expenses.

Invoices will be rendered as work progresses in accordance with the following schedule:

|  |    |       |
|--|----|-------|
| Progress billing #1 – upon commencement of audit field work      | \$ | 5,500 |
| Final billing – upon release of the independent auditors' report | \$ | 5,500 |

In signing this letter, you acknowledge your approval of the above billing schedule and amounts. Invoices expected to be issued that do not adhere to this schedule, or are in excess of the amounts noted above, will be discussed with you for your approval. Fees collected will be applied to overdue invoices first, followed by subsequently issued invoices in order of issuance. If payment is not received in accordance with the above schedule, we will at our discretion cease all work until the scheduled payments are received.

Our estimated fees are based on our past experience and our knowledge of the Corporation. This estimate relies on the following assumptions:

- No significant deficiencies in internal controls which cause procedures to be extended;
- No major unadjusted misstatement(s) or un-reconciled balances;
- Significantly all adjusting entries are completed prior to trial balance and journal entries being provided to the audit team;
- All management and required staff are available as needed;
- Information and working papers required, as outlined in our letter of fiscal year-end requirements, are provided in the mutually agreed form and timing; and
- There are no changes to the agreed upon engagement timetable and reporting requirements.

We will ask that your personnel, to the extent possible, prepare various schedules and analysis, and make various invoices and other documents available to our team. This assistance will facilitate the progress of our work and minimize the cost of our service to you.

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the practitioner leading your engagement so a mutually agreeable solution can be reached. In accordance with our standard terms and conditions, included as Appendix E, if significant changes to the arrangements set forth in this engagement letter are required, any change in scope of the engagement will need to be agreed in writing, in a "Change Order" agreement.

## Appendix E: Standard Terms and Conditions

The following standard terms and conditions and the engagement letter to which they are attached form one agreement and set out the terms and conditions upon which MNP LLP ("MNP") will provide services to you (the "Corporation").

1. **Timely Performance** - MNP will use all reasonable efforts to complete, within any agreed-upon time frame, the performance of the services described in the engagement letter to which these terms and conditions are attached. However, MNP shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Corporation of its obligations as set out in the engagement letter.
2. **Right to Terminate Services** - The Corporation may terminate the engagement upon 30 days written notice. If this occurs, the Corporation shall pay for time and expenses incurred by MNP up to the termination date, together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Should the Corporation not fulfil its obligations as set out herein and in the engagement letter, and in the event that the Corporation fails to remedy such default within 30 days following receipt of notice from MNP to that effect, MNP may, upon written notification and without prejudice to its other rights and resources, terminate provision of our services as described in the engagement letter. In such case, MNP shall not be responsible for any loss, costs, expenses, or damages resulting from such termination.
3. **Change Order** - If, subsequent to the date of this engagement letter, the Corporation requires significant changes to the arrangements set forth in this engagement letter, the Corporation will be required to agree to the change in scope of the engagement in writing, in a "Change Order" agreement. The "Change Order" agreement will set forth the revised arrangements and scope of services to be performed and any related additional fees associated.
4. **Fees** - Any fee estimates by MNP take into account the agreed-upon level of preparation and assistance from the Corporation's personnel. MNP undertakes to advise the Corporation's management on a timely basis should this preparation and assistance not be provided, or should any other circumstances arise which cause actual time to exceed the estimate.
5. **Administrative Expenses** - Administrative expenses include costs such as long distance telephone and telecommunication charges, photocopying, delivery, postage, and clerical assistance. These expenses are based on a percentage of our fees for professional services (5%). Where applicable, federal, provincial, or other goods and services or sales taxes have been paid on these expenses. Other major costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
6. **Billing** - Bills will be rendered on a regular basis as indicated in the letter above. Accounts are due and payable upon receipt. Interest may be charged on the balance of any accounts remaining unpaid for more than 30 days, at a rate of 1.5% per month (19.56% per annum).
7. **Taxes** - All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. The Corporation shall assume and pay any such taxes or duties, without deduction from the fees and charges hereunder.
8. **Governing Law** - The engagement will be governed and construed in accordance with the laws of the Province of British Columbia, and shall be deemed in all respects to be a British Columbia contract. The Corporation and MNP submit to the courts of that jurisdiction with respect to all matters arising under or by virtue of this Agreement.

## Appendix E: Standard Terms and Conditions *(continued from previous page)*

9. **Working Papers** - MNP owns all working papers and files, other materials, reports and work created, developed or performed during the course of the engagement, including intellectual property used in the preparation thereof. We will provide management with a copy of all practitioner-prepared working papers necessary for the Corporation's accounting records. MNP may develop software, including spreadsheets, documents, databases, and other electronic tools, to assist us with our assignment. As these tools and working papers were developed specifically for our purposes and without consideration of any purpose for which the Corporation might use them, any such tools which may be provided to the Corporation, will be made available on an "as is" basis only, at our discretion, and should not be distributed to or shared with any third party. Except as indicated in the Code of Professional Conduct or by any legal proceeding, we have no responsibility to share our working papers with you or with any other parties.
10. **Out-sourcing** - MNP may out-source to third party service providers certain data entry functions. To protect our clients, we have imposed detailed contractual obligations on these service providers regarding the safeguarding, confidentiality and security of your personal information. Nevertheless, our service provider may be required by the applicable laws of a foreign country to disclose personal information in its custody to that country's government or agencies pursuant to a lawful court order made in that country.
11. **Nature of the Limited Liability Partnership (LLP)** - MNP is a registered limited liability partnership, as permitted by legislation enacted in our governing jurisdiction of the Province of Alberta. This legislation provides that a partner of an LLP is not personally liable for any of the debts, obligations, or liabilities of the LLP or any of the other partners which may arise as a result of any negligent act or omission of another partner of the LLP, or by any employee of the partnership, unless such act or omission is committed by the partner him or herself or by a person under the partner's direct supervision and control. All partners of an LLP remain personally liable for any acts or omissions arising as a result of their own negligence, and for the acts or omissions of those directly under their supervision or control, and shall continue to be subject to unlimited personal liability for all of the other liabilities of the partnership. The legislation does not reduce or limit in any way the liability of the partnership itself, and all of the partnership's assets and insurance coverage remain at risk.
12. **Release and Limitation of Liability** - The Corporation and MNP agree to the following with respect to MNP's liability to the Corporation:
  - a. In any action, claim, loss or damage arising out of the engagement, the Corporation agrees that MNP's liability will be several and not joint and the Corporation may only claim payment from MNP of MNP's proportionate share of the total liability based on the degree of fault of MNP as finally determined by a court of competent jurisdiction.
  - b. Other than for matters finally determined to have resulted from the gross negligence, fraud or willful misconduct of MNP, whether the claim be in tort, contract, or otherwise:
    - i. MNP shall not be liable to the Corporation and the Corporation releases MNP for all claims, damages, costs, charges and expenses (including legal fees and disbursements) incurred or suffered by the Corporation related to, arising out of, or in any way associated with the engagement to the extent that the aggregate of such amounts is in excess of the total professional fees paid by the Corporation to MNP in connection with this engagement during the 12 month period commencing from the date of the engagement letter to which these terms and conditions are attached; and,
    - ii. MNP shall not be liable to the Corporation for any consequential, indirect, lost profit or similar damages, or failure to realize expected savings, relating to MNP's services provided under the engagement letter to which these terms and conditions are attached.

## Appendix E: Standard Terms and Conditions *(continued from previous page)*

13. **Indemnity** - The Corporation agrees to jointly and severally indemnify and hold harmless MNP against:
- All claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, other than those finally determined by a court of competent jurisdiction to have resulted from MNP's gross negligence, fraud or willful misconduct; and,
  - Notwithstanding "a.," all claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, that arise from or are based on any deliberate misstatement or omission in any material information or representation supplied or approved by any officer or member of the Board of Directors of the Corporation.

For the purposes of paragraph 12. and 13., "MNP" shall mean MNP LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing services under the engagement letter to which these terms are attached, MNP LLP, its member firms, and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee.

14. **Survival of Terms** - The Corporation and MNP agree that clauses 12. and 13. will survive termination of the engagement.
15. **Electronic Communications** - Unless the Corporation prefers we use a particular manner of communication and specifies as much in writing, MNP will use whatever form of communication it deems most efficient in the circumstances. In many instances, this will involve the use of internet e-mail. With respect to internet e-mail, MNP and the Corporation both acknowledge that neither party has control over the performance, reliability, availability, or security of internet e-mail. Additionally, MNP staff may be required or requested to work from your offices during which visits access to and use of and reliance upon your electronic environment (including but not limited to, your network, Internet, and extranet resources) is necessitated. The Corporation accepts that MNP shall not be liable for any loss, damage, expense, harm or inconvenience resulting from any loss, delay, interception, corruption, security breach, delivery failure, incompatibility, incompleteness or alteration of any document or transmission arising from the use of e-mail or the transmission of any document outside of MNP's electronic environment.
16. **Confirmation.com** - By signing this engagement letter, you agree to the use by MNP of Capital Confirmation Inc. ("CCI") as a third party service provider and the use of CCI's platform (the "Platform") to prepare, request and receive confirmations required to perform the engagement. You acknowledge and agree that data being uploaded/downloaded via the Platform may reside on servers located in the United States and that CCI could be required to disclose data, including personal information, in its custody to the United States government, government agencies, courts or law enforcement or regulatory agencies pursuant to the laws of the United States. MNP shall not be liable for any loss or damage arising from your or MNP's use of CCI as a service provider or use of the Platform, including any losses relating to CCI's collection, use, disclosure or loss of your data or personal information. You agree to pay all fees for requesting and receiving confirmations. For more information, you can review the third party service provider's Terms and Conditions and Privacy Policy on CCI's website at: <https://www.confirmation.com/>

Heather Sadler Jancus  
HSS -  
Robert Stewart  
- ITM Business  
Network  
Incorporated