

**KINGSWAY DISTRICT ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Ellis Group*** LLP  
CHARTERED ACCOUNTANTS

10111 - 97A Avenue  
Edmonton, Alberta  
T5K 2T3

Telephone (780) 451-2713  
Fax (780) 454-0588

INDEPENDENT AUDITORS' REPORT

To the Members of **KINGSWAY DISTRICT ASSOCIATION**

We have audited the accompanying financial statements of **KINGSWAY DISTRICT ASSOCIATION** ("the Association") which comprise the statement of financial position as at December 31, 2019 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 Kingsway District Association, as at December 31, 2019, 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 Association 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 and Those Charged with Governance 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 Association'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 Association, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the Association 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.

*Ellis Group* LLP

Chartered Accountants

Edmonton, Alberta  
April 17, 2020

**KINGSWAY DISTRICT ASSOCIATION**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
Business Improvement Area Levy	\$ 362,877	\$ 362,877
Other income	10,945	8,025
	<u>373,822</u>	<u>370,902</u>
 <b>Expenditures</b>		
Management and administration	201,590	196,129
Programs and projects (note 5)	116,276	100,566
Office	49,805	46,273
Rent	33,233	33,152
Professional fees	6,550	6,272
Donations	6,299	-
Telephone	5,337	5,736
Memberships and insurance	3,787	2,925
Amortization	480	657
	<u>423,357</u>	<u>391,710</u>
 <b>Deficiency of revenues over expenditures</b>	 (49,535)	 (20,808)
 <b>Net assets, beginning of the year</b>	 261,165	 281,973
	<u>211,630</u>	<u>261,165</u>
 <b>Net assets, end of the year</b>	 \$ 211,630	 \$ 261,165

**KINGSWAY DISTRICT ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

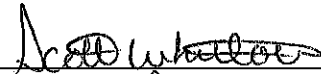
**ASSETS**

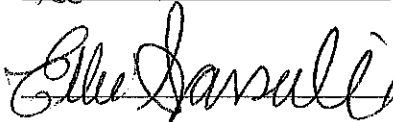
	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash	\$ 298,365	\$ 256,138
Accounts receivable	2,450	2,212
Government remittances and sales tax	10,573	8,711
Prepaid expenses	3,993	857
	315,381	267,918
<b>Equipment (note 3)</b>	1,402	1,882
	\$ 316,783	\$ 269,800

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,434	\$ 8,635
Deferred revenue	90,719	-
	105,153	8,635
<b>Net Assets</b>		
Unrestricted	211,630	261,165
	\$ 316,783	\$ 269,800

Approved By The Board

 Director

 Director

**KINGSWAY DISTRICT ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Cash provided by (used in) operating activities</b>		
Deficiency of revenues over expenditures	\$ (49,535)	\$ (20,808)
Item not affecting cash		
Amortization	480	657
	<u>(49,055)</u>	<u>(20,151)</u>
 <b>Net change in non-cash working capital</b>		
Decrease (increase) in accounts receivable	(238)	914
Decrease (increase) in government sales tax	(1,862)	2,154
Decrease (increase) in prepaid expenses	(3,136)	3,112
Increase (decrease) in accounts payable	5,799	1,232
Increase (decrease) in deferred revenue	90,719	-
	<u>91,282</u>	<u>7,412</u>
 <b>Increase (decrease) in cash</b>	42,227	(12,739)
<b>Cash, beginning of the year</b>	256,138	268,877
	<u>298,365</u>	<u>256,138</u>
 <b>Cash, end of the year</b>	<u>\$ 298,365</u>	<u>\$ 256,138</u>

**KINGSWAY DISTRICT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**1. Nature Of Operations**

A Business Improvement Area (BIA) is created for the following purposes:

- (a) Improving, beautifying and maintaining property in the zone area
- (b) Developing, improving and maintaining public parking
- (c) Promoting the zone as a business district

On November 10, 1987, the City of Edmonton Municipal Council passed Bylaw 8621 creating the Kingsway Business Revitalization Zone and incorporating the "Edmonton Kingsway Business Revitalization Zone Association," with Amendments to the bylaw on October 10, 2012.

On November 6, 2013, the City of Edmonton Municipal Council amended Bylaw 8621 to change the name of the Kingsway BRZ to Kingsway District Association (the "Association").

On December 13, 2016, the City of Edmonton Municipal Council passed Bylaw 17780 to change the name, Business Revitalization Zone (BRZ), to Business Improvement Area (BIA).

The Association is a not-for-profit organization and is exempt from income taxes.

**2. Accounting Policies**

(a) Basis Of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue Recognition

The Association recognizes revenues on the accrual basis of accounting. The Business Improvement Area levy which is paid in quarterly installments during the calendar year is recognized when receivable. Other revenue is recognized when earned.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposits and cheques issued and outstanding at year end.

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the following methods and annual rates.

Computer	30%	declining balance
Equipment	20%	declining balance
Leasehold improvements	20%	straight line

**KINGSWAY DISTRICT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**2. Accounting Policies - continued**

(e) Measurement Uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

(f) Financial Instruments

The Association initially measures its financial assets and liabilities at fair value, except for related party transactions which are measured at the exchange amount. The Association subsequently measures its financial assets and liabilities at cost. Financial assets include cash and accounts receivables. Financial liabilities include accounts payables.

(g) Statement Of Cash Flows

The statement of cash flows has been prepared using the indirect method.

**3. Equipment**

	<b>2019</b>			<b>2018</b>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer	\$ 9,077	\$ 8,350	\$ 727	\$ 1,039
Equipment	8,078	7,403	675	843
Leasehold improvements	3,498	3,498	-	-
	<u>\$ 20,653</u>	<u>\$ 19,251</u>	<u>\$ 1,402</u>	<u>\$ 1,882</u>

**4. Lease Commitment**

The Association leases office space for a term expiring on December 31, 2022. The minimum annual lease payments (exclusive of occupancy charges) are \$33,228.



**KINGSWAY DISTRICT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**5. Programs And Projects**

During the year, the Association expended funds related to the following programs and projects:

	<u>2019</u>	<u>2018</u>
Events	\$ 56,397	\$ 26,729
Advertising and marketing	30,845	30,463
Kingsway enhancement	29,034	43,374
	<u>                    </u>	<u>                    </u>
	<u>\$ 116,276</u>	<u>\$ 100,566</u>

**6. Financial Assets And Liabilities**

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include liquidity risk.

Liquidity Risk

Liquidity risk is the risk that the Association will not be able to meet its obligations associated with its financial liabilities. Cash flow from the Business Improvement Area levy provides a substantial portion of the Association's cash requirements. The Association also has excess cash should it be required to meet temporary fluctuations in cash requirements.

**Ellis Group** LLP  
CHARTERED ACCOUNTANTS

10111 97A Avenue  
Edmonton, Alberta  
T5K 3T2

Telephone (780) 451-2713  
Fax (780) 454-0588  
E-mail: mail@egca.ca

April 17, 2020

Kingsway District Association  
11810 Kingsway Avenue  
Edmonton, Alberta  
T5G 0X5

To the Members of the Board of Directors:

We have been engaged to audit the financial statements of Kingsway District Association for the year ending, December 31, 2019. Canadian generally accepted standards for audit engagements require that we communicate the following information with you in relation to your audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

**Our Responsibility as Auditors**

As stated in the engagement letter dated February 4, 2020, our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian accounting standards for not-for-profit organizations.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- An assessment of risk that the financial statements may contain misstatements; and
- An examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements.

**Significant Accounting Principles**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by Kingsway District Association are described in Note 2, Accounting Policies, in the financial statements.

**Significant Unusual Transactions**

We are not aware of any significant or unusual transactions entered into by Kingsway District Association that you should be informed about.

## **Accounting Estimates**

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

## **Disagreements with Management**

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the organization's financial statements or auditors' report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditors' report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

## **Difficulties Encountered During the Audit**

We encountered no significant difficulties during our audit that should be brought to the attention of the Board.

We shall be pleased to discuss with you further any matters mentioned above, at your convenience.

This communication is prepared solely for the information of the Members of the Board of Directors and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Members of the Board of Directors sign their acknowledgement in the spaces provided below. Should any member of the Members of the Board of Directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours very truly,  
Ellis Group LLP

T.W. Eddie, C.A.

**Acknowledgement of Members of the Board of Directors:**

On behalf of the Board of Directors, I have read and reviewed the above disclosures and understand and agree with the comments therein:

Scott White May 6/2020 (Date)

**Ellis Group** LLP  
CHARTERED ACCOUNTANTS

10111 97A Avenue  
Edmonton, Alberta  
T5K 2T3

Telephone (780) 451-2713  
Fax (780) 454-0588  
E-mail: mail@egca.ca

February 4, 2020

Kingsway District Association  
11810 Kingsway Avenue  
Edmonton, Alberta  
T5G 0X5

**Attention: Mr. Scott Whitlow**

Dear Sir:

You have requested that we audit the financial statements of Kingsway District Association which comprise the balance sheets as at December 31, 2019 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.

We are pleased to confirm our acceptance and our understanding of the nature, scope and terms of this audit engagement, and all services related thereto, by means of this letter.

The objectives of our audit is 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.

**The Responsibilities of the Auditor**

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- (a) 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.
- (b) 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- (c) Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- (e) 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

## **The Responsibilities of Management**

Our audit will be conducted on the basis that management and where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- (a) For the preparation and fair presentation of the financial statements in accordance with the Canadian accounting standards for not-for-profit organizations;
- (b) For the design and implementation of 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; and
- (c) To provide us with timely:
  - (i) Access to all information of which management is aware that is relevant to the preparation of the financial statements (such as records, documentation and other matters);
  - (ii) Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of noncompliance with legislative or regulatory requirements;
  - (iii) Additional information that we may request from management for the purpose of the audit; and
  - (iv) Unrestricted access to persons within Kingsway District Association from whom we determine it necessary to obtain audit evidence.

As part of our audit process:

- (a) We will make inquiries of management about the representations contained in the financial statements at the conclusion of the audit, we will request from management and, where appropriate, those charged with governance written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- (b) We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

## **Form and Content of Audit Opinion**

Unless unanticipated difficulties are encountered, our report will be substantially in the following form:

### **INDEPENDENT AUDITORS' REPORT**

To the Members of Kingsway District Association

We have audited the accompanying financial statements of Kingsway District Association, which comprise the statement of financial position as at December 31, 2019 and the statements of operations, changes in net assets and cash flow 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 Company as at December 31, 2019, 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 Kingsway District Association 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 and Those Charged with Governance 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 Kingsway District Association 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 Kingsway District Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Kingsway District Association 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 Kingsway District Association 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 Kingsway District Association ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the Kingsway District Association 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.

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance.

### **Confidentiality**

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of Kingsway District Association unless:

- (a) We have been specifically authorized with prior consent;
- (b) We have been ordered or expressly required by law or by the provincial Code of Professional Conduct/Code of Ethics; or
- (c) The information requested is (or enters into) public domain.

## **Communications**

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

## **Use of Information**

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- (a) You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer, and process of personal information required under applicable privacy legislation and professional legislation; and
- (b) We will hold all personal information in compliance with our Privacy Statement.

## **Use and Distribution of Our Report**

The examination of the financial statements and the issuance of our audit opinion are solely for the use of Kingsway District Association and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than Kingsway District Association.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond Kingsway District Association) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

## **Reproduction of Auditor's Report**

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Should some of the information in the annual report not be available until after the date of the auditor's report, we will request that management provide a written representation that the final version of the document(s) will be provided to us when available (and prior to its issuance) so we can complete our required procedures.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website, or to consider the consistency of other information on the electronic site with the original document.

## **Preparation of Schedules**

We understand that you or your employees will prepare certain schedules and locate specified documents for our use before our Engagement is planned to commence.

The requested schedules and documents are as follows:

- (a) Schedules and analyses; and
- (b) Documents.

This assistance will facilitate our work and will help to minimize our costs. Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or withdraw from the Engagement.



## **Ownership**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

## **File Inspections**

In accordance with professional regulations (and by our Firm's policy), our client files may periodically be reviewed by practice inspectors, and by other engagement file reviewers to ensure that we are adhering to our professional and our Firm's standards. File reviewers are required to maintain confidentiality of client information.

## **Accounting Advice**

Except as outlined in this letter, the Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

## **Other Services**

In addition to the audit services referred to above, we will, as allowed by the Rules of Professional Conduct / Code of Ethics, prepare your federal and provincial income tax returns as agreed upon. Unless expressly agreed in a separate engagement letter, we will have no involvement with or responsibility for the preparation or filing of GST returns or any other (including foreign) tax returns, source deductions, information returns, slips, elections, designations, certificates or reports. Management will, on a timely basis, provide the information necessary complete these federal and provincial income tax returns and will review and file them with the appropriate authorities on a timely basis.

## **Governing Legislation**

This engagement letter is subject to, and governed by, the laws of the Province of Alberta. The Province of Alberta will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

## **Dispute Resolution**

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation.

## **Indemnity**

Kingsway District Association hereby agrees to indemnify, defend (by counsel retained and instructed by us), and hold harmless our Firm and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- (a) The breach by Kingsway District Association, or its directors, officers, agents, or employees, of any of the covenants made by Kingsway District Association herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our Firm; and
- (b) A misrepresentation by a member of your management or board of directors.

## **Time Frames**

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by Kingsway District Association of its obligations.

**Fees at Regular Billing Rates**

Our professional fees will be based on our regular billing rates plus direct out-of-pocket expenses and applicable GST and are due when rendered. Fees for any additional services will be established separately.

We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including lawyers' fees.

**Costs of Responding to Government or Legal Processes**

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs (including applicable GST) incurred.

**Termination**

Management acknowledges and understands that failure to fulfil its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party. If early termination takes place, Kingsway District Association shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed, an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide details.

**Survival of Terms**

This engagement letter will continue in force for subsequent audits unless terminated by either party by written notice prior to the commencement of the subsequent audit.

**Conclusion**

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to Kingsway District Association.

Yours very truly,

ELLIS GROUP LLP

T.W. Eddie, C.A.

The terms of the engagement set out in the above letter are in accordance with our requirements and are acceptable to us and hereby agreed to.

DATED: May 6 / 2020

KINGSWAY DISTRICT ASSOCIATION

COMPANY

PER: [Signature]

# KINGSWAY DISTRICT ASSOCIATION

11810 Kingsway Avenue  
Edmonton, Alberta  
T5G 0X5

April 17, 2020

Ellis Group LLP  
10111 97A Avenue  
Edmonton, Alberta  
T6B 2L5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Kingsway District Association as of December 31, 2019 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Kingsway District Association in accordance with Canadian accounting standards for private enterprises.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of April 17, 2020, the following representations made to you during your audit.

## **Financial statements**

1. The financial statements referred to above present fairly, in all material respects, the financial position of the Association as at December 31, 2019 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards.

## **Completeness of information**

2. We have made available to you all financial records and related data and all minutes of the meetings of directors and committees of directors. The minutes provided to you are a complete record of all meetings and resolutions throughout the period and to the present date.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

4. We are not aware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. We are not aware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
6. We have identified to you all known related parties and related party transactions, including guarantees, non-monetary transactions and transactions for no consideration.
7. All assets to which the Association has title and all known liabilities of the Association at the period end have been properly recorded in the financial statements.

#### **Fraud and error**

8. We have no knowledge of fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others where the fraud could have a non-trivial effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
10. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### **Recognition, measurement and disclosure**

11. All changes in the Association's accounting principles and practices during the period under audit have been disclosed to you and appropriately reflected in the financial statements.
12. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
13. The financial statements contain all required information regarding the terms and conditions, interest rate risk and foreign exchange risk of financial instruments. There were no derivative or off-balance sheet financial instruments held at the end of the period.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
15. Receivables recorded in the financial statements represent valid claims against debtors for other charges arising on or before the balance sheet date and have been approp.
16. The estimated useful lives of equipment, as disclosed in the financial statements, are a reasonable basis for amortization.
17. Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements. This includes:
  - a. Appropriate provisions for idle, abandoned, destroyed or obsolete assets or where site restoration costs will be necessary; and
  - b. Impairments in the value of goodwill or intangible assets.

18. All related party transactions have been appropriately measured and disclosed in the financial statements.
19. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
20. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
21. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
22. We are aware of the environmental laws and regulations that impact on our Association and we are in compliance. There are no known environmental liabilities that have not been disclosed to you and appropriately reflected in the financial statements.
23. The Association has satisfactory title to all assets, and there are no liens or encumbrances on the Association's assets.
24. We have disclosed to you, and the Association has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
25. All major commitments (including such items as equipment purchase agreements, deferred compensation, bonuses, pensions and profit-sharing plans, purchase or sale of all or a portion of a business, etc.) have been disclosed to you and appropriately reflected in the financial statements.
26. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

**Other matters**

27. We have reviewed and approved all of the following:
  - a. Journal entries you prepared or changed;
  - b. Account codes you determined or changed;
  - c. Transactions you classified; and
  - d. Accounting records you prepared or changed.

Yours truly,

Kingsway District Association

Per: *Ellie Samille* Title: *Executive Director* Date: *May 6, 2020*  
 Per: *Scott Whitton* Title: *Board Chair* Date: *May 6, 2020*