

January 12, 2021

Christian Senior Citizens Homes Society of Northern Alberta
13429 – 57 Street
Edmonton, Alberta
T5A 0T8

Attention: Board of Directors

Dear Board Members:

Re: 2020 AUDIT PLANNING

A. INTRODUCTION

The objectives of this letter are as follows:

- a) To communicate clearly with the Board our responsibilities in relation to the financial statement audit, and provide an overview of the planned scope and timing of the audit;
- b) To obtain from the Board information relevant to the audit;
- c) To provide the Board with timely observations arising from the audit that are significant and relevant to the Board's responsibility to oversee the financial reporting process; and
- d) To promote effective two-way communication between the auditor and the Board.

Clear two-way communication between the auditor and those charged with governance is an integral part of every audit. After reviewing this letter please advise us whether there are additional areas of concern to the Board which we should consider.

This letter should not be distributed without the prior consent of Metrix Group LLP and we accept no responsibility to a third party who uses this communication.

B. SERVICES TO BE PROVIDED

As agreed, to in our audit engagement letter we have been engaged by the Christian Senior Citizens Homes Society of Northern Alberta (the "Organization") to perform the following services:

a) Audit services

- Audit of the Organization's financial statements

b) Non-audit services

- Preparation of Charity return.

C. AUDITOR INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. We believe it is important to communicate to the Board, at least annually, all relationships between our firm and the Organization that, in our professional judgment, may reasonably be thought to bear on our independence.

We are currently not aware of any relationships between the Organization and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence. We will provide our annual letter confirming our independence up to the date of our report at the conclusion of the audit.

D. AUDITOR RESPONSIBILITIES

It is important for the Board to understand the responsibilities that rest with the Organization and its management and those that belong to the auditor in relation to the financial statement audit.

Our audit of the Organization's financial statements will be performed in accordance with Canadian generally accepted auditing standards (CAS). These standards require that we plan and perform the audit to obtain reasonable assurance that 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. Accordingly, we will plan and perform our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the financial statements taken as a whole, including illegal acts whose consequences have a material effect on the financial statements.

CAS does not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate to the Board.

E. MANAGEMENT RESPONSIBILITIES

Management is responsible for the preparation 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.

F. PLANNED SCOPE AND TIMING OF THE AUDIT

In gathering our audit evidence we will utilize an approach to the audit of the Organization that allows us to issue an audit opinion on the financial statements in the most cost-effective manner, while still obtaining the assurance necessary to support our audit opinion. In performing our audit, our work will be focused on, but not limited to, areas that we believe have a higher risk of being materially misstated.

To assess risk correctly, we will require a clear understanding of the Organization's operations and the environment it operates in. We will gain this understanding primarily through discussions with management and staff. We welcome any insights the Board would like to provide to us on what you perceive to be risky.

Management Representations

Management's representations are integral to the audit evidence we will gather. Prior to the release of our report, we will require management's representations in writing to support the content of our report.

Audit Strategy

Based on our knowledge of the Organization, we anticipate utilizing a *combined approach* to the audit of the Organization. A combined approach is more appropriate when an entity processes a high volume of transactions and has strong internal controls in place. In utilizing a combined approach we obtain our assurance from a combination of substantive procedures (analysis of data and obtaining direct evidence as to the validity of the items such as third party confirmation) and tests of internal controls. Specifically, we placed reliance on internal controls in the payroll, purchasing, and resident fee revenue areas. By obtaining some of our assurance through tests of controls, we were able to reduce the substantive procedures accordingly.

Significant Risks

Significant risks are identified and assessed risks of material misstatement that, in the auditors' judgment, require special audit consideration. We have identified the following significant risks.

Management Override of Controls

Management override of controls is considered a significant risk in every financial statement audit. To reduce this risk to an acceptable level, our audit approach will include substantive procedures including testing of manual journal entries, reviews of irregular transactions, and assessing key estimates for potential bias.

Revenue Recognition

Revenue recognition is also presumed to be a significant risk in every financial statement audit. Our audit approach will include examining revenue recognition policies and reviewing grant agreements to ensure revenue is being recognized appropriately.

Materiality

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found (if any) and determining the appropriate audit opinion to express.

We establish an overall materiality for the financial statements as a whole. The planned overall materiality is based on 2% of estimated operating revenues for the year ending December 31, 2020.

A misstatement, or the aggregate of all misstatements in financial statements, is considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. The materiality decision ultimately is based on the auditors' professional judgment.

Audit Team and Timing of the Audit

Curtis Friesen, CPA, CA	Partner
Mitchel Opryshko, CPA	Senior Accountant

We will complete the audit in February and attend a March Board meeting to review the report.

G. COMMUNICATION OF THE RESULTS

At the completion of our audit, we will communicate to the Board matters arising from the financial statement audit. Our communication will include the following:

- Matters required to be communicated to the Board under CAS including possible fraudulent activities, possible illegal acts, significant weaknesses in internal control and certain related party transactions;
- Our views about significant qualitative aspects of the Organization's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Other matters, if any, arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process; and
- Any other matters previously agreed to with the Board.

H. REQUESTS OF THE BOARD MEMBERS

During the course of your duties as Board members, you may become aware of additional areas of concern from an audit perspective that you would like us to address. We welcome discussion on any areas of audit concern that you may have.

Additionally, we request that you inform us (prior to the commencement of our year-end work) whether the Board has knowledge of any actual, suspected, or alleged fraud affecting the Organization.

Please do not hesitate to contact us about any of the above items or other matters of concern to the Organization.

Yours very truly,

METRIX GROUP LLP



Curtis Friesen, CPA, CA
Partner

CDF/law