

enCompass Community Safety Agency

For the year ended March 31, 2025

Report to the Audit Committee
Audit strategy

February 24, 2025

Heather Murk, CPA, CA

Partner

T 780 412 2601

E Heather.Murk@doane.gt.ca

Chikodi Nweke, CPA

Senior Manager

T 780 401 8240

E Chikodi.Nweke@doane.gt.ca

Contents

Executive summary	1
Audit plan and risk assessment	2
Audit and other services fees	5
Team, timing and communications	6
Technical updates – highlights	7

Appendices

Appendix A – Overview and approach
Appendix B – Engagement letter
Appendix C – Accounting developments
Appendix D – Auditing developments

Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of enCompass Community Safety Agency (the "Agency") for the year ended March 31, 2025. This communication will assist the Audit Committee in understanding the terms of the audit engagement, our proposed audit strategy and the level of responsibility assumed by us.

The information in this document is intended solely for the information and use of the Board of Directors, Audit Committee, and management. It is not intended to be distributed to or used by anyone other than these specified parties.

We have included our engagement letter in Appendix B, which outlines our responsibilities and the responsibilities of management.

Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the financial statements, including disclosures, the greater the audit emphasis placed on it in terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Our approach is discussed further in Appendix A.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the Agency
- Confirming the independence of our engagement team members

We have determined that the following information regarding our independence should be brought to your attention:

- Throughout the course of our audit, we may propose that management post adjusting journal entries to the general ledger to correct misstatements. Appropriate safeguards are in place including management taking responsibility for reviewing and approving all adjusting journal entries before they are posted.

Audit plan and risk assessment

We have planned our audit in accordance with our approach summarized in Appendix A.

Materiality

The purpose of our audit is to provide an opinion as to whether the financial statements are prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations as at March 31, 2025. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of our engagement.

The concept of materiality recognizes that an auditor cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we made a preliminary assessment of materiality for the purpose of developing our audit strategy, including the determination of the extent of our audit procedures.

During execution of the audit, we will consider whether materiality should be re-assessed due to changes or events identified. At completion, we will consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and whether matters should be brought to your attention.

Considerations

The following is a summary of matters that relate to changes to the Agency and its business environment that were considered in preparing our audit plan.

Matter	Discussion and impact
Laws and regulations	During the course of the audit, we will perform specified audit procedures to help identify instances of non-compliance with laws and regulations that may have a material effect on the financial statements. An audit of financial statements is not designed to detect all instances of non-compliance with laws and regulations and does not represent an audit of the Agency's compliance with applicable laws and regulations. While we have not identified any instances of non-compliance, we would like to know if you are aware of any instances of non-compliance.
Fraud	We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management. During our audit planning, we enquired of management as to their views on the risks of fraud and their processes for identifying and assessing fraud risks. We are not aware of any fraud-related matters that could affect our audit approach. However, we would like to obtain your input on the following areas: • How you oversee management's processes for identifying and responding to the risks of fraud and the related internal controls that management has put in place • Whether you are aware of any actual, suspected or alleged fraud affecting the Agency

Significant risks

We identified the following significant risks on which we plan to focus our attention:

Area of risk	Why there is a risk	Planned audit response
Fraud risk from management override / segregation of duties	This is a presumed fraud risk. The risk primarily relates to management override of internal controls, specifically related to journal entries.	- Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements - Review accounting estimates for biases - Evaluate the business rationale for significant transactions that are or appear to be outside the normal course of business - Obtain all journal entries recorded during the period and analyze any entries which are unusual or inconsistent with our expectations. Any entries selected for testing will be agreed to relevant supporting documentation and appropriate approval will be confirmed
Grant revenue	This is a presumed fraud risk. The risk primarily relates to revenue recognized under grant revenue.	- Confirmation of significant grants with the funding parties - Review of contributions received during the year to determine appropriate accounting treatment within the selected accounting policies - Test of details for grant related expenditures, including vouching items to supporting documentation

Audit and other services fees

Estimated fees

Service	Current year fees	Prior year fees
Annual audit of financial statements	\$ 28,700	\$ 28,200
Charitable Properties review	7,500	7,500
Family Violence Protection audit	2,500	2,500
Administration and technology fee	3,483	3,438
Total*	\$ 42,183	\$ 41,638

*before administrative costs, disbursements and applicable taxes

Deliverables

Deliverable	Date
Discussions and communications regarding planning	March 5th
Report on the March 31, 2025 financial statements	TBD
Communication of audit results	TBD

Fee estimate considerations

Upfront and periodic discussions are central to our approach in dealing with fees. Our goal is to avoid surprises by having early and frank communication. We wish to provide you with a competitive price and fair value, while also allowing sufficient audit hours to conduct an effective audit and deliver quality service.

We have established an estimated fee for the audit for the year ended March 31, 2025 that is based on the level of activity and the anticipated complexity of the audit of the Agency's financial statements. If there are any variances to the above plan, we will discuss them with you and agree on any additional fees before costs are incurred, wherever possible. Any unforeseen work outside the scope of this proposal will be billed separately after discussion with management.

The proposed fee is based on receiving the following from management:

- Draft financial statements including the notes to the financial statements
- All working papers and schedules as outlined in our requirements letter
- Trial balance together with reconciled control accounts
- All books and records when requested
- Use of Agency staff to help us locate information and provide explanations

Team, timing and communications

Timing and communications

We are committed to delivering exceptional client service and executing our audit in the most effective, efficient and timely manner. The planned timing of our audit work and the deliverables we will provide to the Audit Committee are as follows:

Stage or deliverable	Timing/Status
Discussions and communications regarding planning	March 2025
Planning	December 2024
Communication of audit planning	March 2025
Performance of fieldwork	May 2025
Communication of audit results	June 2025

In our communication of audit results, we will report on the following matters:

- Our views on significant accounting practices
- Significant difficulties, if any, encountered during the audit
- Misstatements, other than trivial errors
- Actual or suspected fraud or illegal acts
- Significant deficiencies in internal control
- Other significant audit matters, as applicable

Team

Engagement team member	Contact information
Heather Murk, CPA, CA Partner	P +1 780 412 2601 E Heather.Murk@doane.gt.ca
Chikodi Nweke, CA Senior Manager	P +1 780 401 8240 E Chikodi.Nweke@doane.gt.ca
Ameen Deeb, CPA Senior Accountant	P +1 780 412 2339 E Ameen.Deeb@doane.gt.ca

Technical updates – highlights

Accounting

Accounting standards issued by the Accounting Standards Board that may affect the Agency in the current year and future years are included in Appendix C. If you have any questions about these changes, we invite you to raise them during our next meeting. We will be pleased to address your concerns.

Assurance

Assurance standards issued by the AASB that may change the nature, timing and extent of our audit procedures on the Agency and our communication with the Audit Committee are included in Appendix D. If you have any questions about these changes, we invite you to raise them during our next meeting. We will be pleased to address your concerns.

Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations. The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

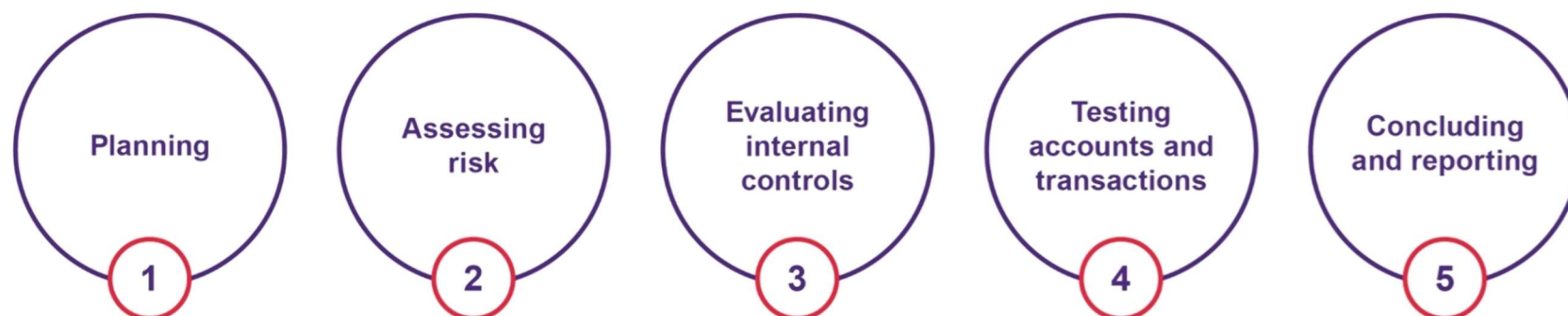
Roles and responsibilities

Role of the audit committee	• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention • Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting • Recommend the nomination and compensation of external auditors to the board • Directly oversee the work of the external auditors including reviewing and discussing the audit plan
Role of management	• Prepare financial statements in accordance with Canadian accounting standards for not-for-profit organizations • Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud • Exercise sound judgment in selecting and applying accounting policies • Prevent, detect and correct errors, including those caused by fraud • Provide representations to external auditors • Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements
Role of Doane Grant Thornton LLP	• Provide an audit opinion that the financial statements are in accordance with Canadian accounting standards for not-for-profit organizations • Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS) • Maintain independence and objectivity • Be a resource to management and to those charged with governance • Communicate matters of interest to those charged with governance • Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters

Audit approach

Our understanding of the Agency and its operations drives our audit approach, which is risk based and specifically tailored to enCompass Community Safety Agency.

The five key phases of our audit approach



Phase	Our approach
1. Planning	• We obtain our understanding of your operations, internal controls and information systems • We plan the audit timetable together
2. Assessing risk	• We use our knowledge gained from the planning phase to assess financial reporting risks • We customize our audit approach to focus our efforts on key areas
3. Evaluating internal controls	• We evaluate the design of controls you have implemented over financial reporting risks • We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls • We provide you with information about the areas where you could potentially improve your controls
4. Testing accounts and transactions	• We perform tests of balances and transactions • We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency
5. Concluding and reporting	• We conclude on the sufficiency and appropriateness of our testing • We finalize our report and provide you with our observations and recommendations

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we will maintain our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the Agency and our beliefs about management's honesty and integrity.

Internal control

Our audit will include gaining an understanding of the Agency's internal control over financial reporting. Our understanding will focus on processes associated with the identified risk areas, as described in this report. We use this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Note that the auditor's objectives with regards to internal control are different from those of management and those charged with governance. For example, we primarily target controls that relate to financial reporting and not those that relate to the Agency's operations or compliance which may also be relevant to its objectives. Therefore, management and those charged with governance cannot solely rely on our findings to discharge their responsibilities in this area.

Quality management

We have a robust system of quality management that forms a core part of our client service and is designed to ensure the firm is meeting its quality objectives by designing responses to address identified quality risks. We combine numerous specific responses including the application of our internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to consistently deliver high quality audit services to our clients. We also monitor the design, implementation and operating effectiveness of each element of our system of quality management to ensure that we are appropriately addressing the quality risks and to identify deficiencies and required remedial actions in the system of quality management. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality management and would be pleased to discuss any aspect with you at your convenience.

Data analysis software

We apply our audit methodology using advanced software tools. Doane Grant Thornton continues to invest in developing industry-leading advanced audit data analytics tools.

IDEA

IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries.

MindBridge

Advances in artificial intelligence and machine learning have changed the face of the accounting profession. Doane Grant Thornton has access to MindBridge's advanced data analytics platform. When used on appropriate engagements, MindBridge gives audit teams the capability to analyse 100% of the transactions included in the general ledger and, based on an assessment of each transaction against criteria based on traditional business rules, statistical methods and machine learning, the software assigns each transaction a risk score. This, in combination with the many powerful and customisable visual representations available in the software, enables audit teams to identify patterns and connections between transactions and across sub-ledgers and accounts. In appropriate circumstances, use of MindBridge may provide new insights and identify risks much more effectively and efficiently than was possible using traditional audit techniques, which facilitates a higher quality, more insightful and increasingly efficient audit.

Appendix B – Engagement letter

Doane Grant Thornton LLP
601 Rice Howard Place 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8
T +1 780 422 7114
F +1 780 426 3208

February 13, 2025

enCompass Community Safety Agency
#410, 10010 – 105 Street
Edmonton, AB
T5J 1C4

Attention: DeAnn Hunter, Chief Executive Officer
Clarissa Robinson, Director of Finance

Dear Madams:

Thank you for reappointing Doane Grant Thornton LLP (“Doane Grant Thornton”, “we”, “us”, or “our”) to perform the audit of the financial statements and other related services for enCompass Community Safety Agency (the “Agency”, “you” or “your”) for the year ending March 31, 2025 (collectively, the “Services”). The purpose of this letter and the attached [Schedule A](#) (the “Engagement”) is to outline the nature of the Services and the terms under which you are engaging us to perform those Services.

Objective, scope and limitations

You have requested that we audit the financial statements of enCompass Community Safety Agency, which comprise the statement of financial position as at March 31, 2025, and the statements of revenues and expenditures, 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 this Engagement by means of this letter agreement.

Our audit will be conducted with the objectives of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, 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 sole purpose of the Engagement is for us to conduct an audit of the Agency pursuant to the requirements of the statute pursuant to which the Agency is formed.

The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Requests for additional services may arise while we are performing the Services that are specifically identified in this Engagement, including general business advice. The provision of additional services by us does not relieve management of their responsibility for determining what actions the Agency should take and performing adequate research and/or due diligence in relation to their decisions, including obtaining separate formal written advice from us in relation to complex or significant matters. Unless covered under a separate engagement letter, this Engagement will cover any such additional services we provide you, which will be billed at our standard hourly rates for the type of services requested. Notwithstanding anything to the contrary herein, we shall bear no responsibility in the event that management makes significant decisions on the basis of advice provided by us that is not formal written advice (for greater certainty, e-mail does not constitute formal written advice for the purposes of this section).

Our responsibilities

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 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 for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 auditor 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.
- 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 Agency'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 Agency 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.

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.

Management's responsibilities

Our audit will be conducted on the basis that the Agency's 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 Canadian accounting standards for not-for-profit organizations.
- b) 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; and
- c) to provide us with:
 - i. Access to all information of which the Agency's management is aware, that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that we may request from the Agency's management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the Agency from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from the Agency's management and, where appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit. Those representations will include:

Financial statements

- a) communicating that all management's responsibilities, as set out in the terms of this Engagement, for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been fulfilled; in particular, responsibility for ensuring that the financial statements are fairly presented;
- b) communicating its belief that significant assumptions used in making accounting estimates, including those measured at fair value are reasonable;
- c) acknowledging that all events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations require adjustment or disclosure have been adjusted or disclosed;

Completeness of information

- d) providing us with and making available complete financial records and related data, and copies of all minutes of meetings of directors and committees of directors;
- e) acknowledging that all transactions have been recorded and are reflected in the financial statements;
- f) providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
- g) providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
- h) acknowledging that all related party relationships and related party transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations;

Fraud and error

- i) the design and implementation of internal controls to prevent and detect fraud and error;

- j) an assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- k) providing us with information relating to fraud or suspected fraud affecting the Agency involving:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others, where the fraud could have a material effect on the financial statements;
- l) providing us with information relating to any allegations of fraud or suspected fraud affecting the Agency's financial statements communicated by employees, former employees, analysts, regulators, or others;
- m) communicating its 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. A list of the uncorrected misstatements will be attached to the representation letter;

Recognition, measurement and disclosure

- n) providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
- o) providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- p) providing us with an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with MEASUREMENT UNCERTAINTY, CPA CANADA HANDBOOK – ACCOUNTING Section 1508;
- q) acknowledging that no subsequent events occurred that require adjustment to the accounting estimates and disclosures included in the financial statements.
- r) providing us with information relating to claims and possible claims, whether or not they have been discussed with the Agency's legal counsel;
- s) providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Agency is contingently liable;
- t) providing us with information on whether or not the Agency has satisfactory title to assets, liens or encumbrances on assets, and assets pledged as collateral;
- u) providing us with information relating to compliance with aspects of contractual agreements that may affect the financial statements;
- v) providing us with information concerning subsequent events; and

Written confirmation of significant representations

- w) providing us with written confirmation of significant representations provided to us during the Engagement on matters that are:
 - i. directly related to items that are material, either individually or in the aggregate, to the financial statements; and
 - ii. not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the Engagement.

The Agency's management agrees to make available draft financial statements, including appropriate note disclosures and any accompanying other information in time to allow for the audit to be completed within the proposed timeframe. In addition, the Agency's management agrees to inform us of any factors or circumstances that come to their attention during the period from the date of the auditor's report to the date financial statements are issued that may impact the financial statements; including their disclosures.

It is agreed that for any electronic distribution of your financial statements and our report thereon, the Agency's management is solely responsible for the accurate and complete reproduction of the financial statements and our report thereon.

While the report may be sent to the Agency electronically by us for your convenience, only the signed (electronically or manually) report constitutes the Agency's record copy.

If the Agency's management intends to publish or otherwise reproduce our report (or otherwise make reference to Doane Grant Thornton LLP) in a document(s) that contains other information, the Agency's management agrees to (a) provide Doane Grant Thornton with a draft of such document(s) to read, and (b) obtain our approval for inclusion of our report in such document(s), before the document(s) are finalized and distributed. The Agency's management also agrees that if our name is to be used in connection with the financial statements, it will attach our auditors' report when distributing the financial statements to any third parties. The Agency's management agrees to provide us with adequate notice of the preparation of such document(s).

We look forward to full cooperation from your staff during our audit.

Non-audit services directly related to the audit

We will assist the Agency's management in preparation of the financial statements. However, the Agency's management remains at all times responsible for the preparation and fair presentation of the Agency's financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

General tax advisory

We will also provide to you general tax advisory services from time to time as requested by you. Some of these services may relate to general routine tax matters relating to the tax compliance work we have performed for you.

This Engagement does not include tax research or consultation with respect to other matters of tax significance that may arise. As items of this nature arise or as you request additional services, we will provide you with a fee estimate or an estimate of the required number of hours, before we invest significant professional time. In certain circumstances it may become necessary to issue a separate engagement letter and/or to render additional invoices for fees and expenses incurred. However, unless covered under a separate engagement letter, this Engagement will cover any such additional services we provide to the Agency which will be billed, on a monthly basis, at our standard hourly rates for the type of services requested.

Reporting

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

INDEPENDENT AUDITOR'S REPORT

To the Members of enCompass Community Safety Agency

Opinion

We have audited the financial statements of enCompass Community Safety Agency (the "Agency"), which comprise the statement of financial position as at March 31, 2025, and the statements of revenues and expenditures, 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 enCompass Community Safety Agency as at March 31, 2025, 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 Agency 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.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these 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 Agency's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 Agency'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 Agency'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 Agency 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.

Edmonton, Canada
Date

Chartered Professional Accountants

The form and content of our report may need to be amended in the light of our audit findings.

Fees

Fees are based on the time required by the individuals assigned to perform the Services defined herein. Individual hourly rates vary according to the degree of responsibility involved and experience and skill required.

Other services

Depending on the nature and significance of requests for additional services, we may issue a separate engagement letter to cover the additional services and/or provide a fee estimate before we invest significant professional time in providing the additional services. As noted above, in the absence of such a separate engagement letter, the provisions of this Engagement shall apply to the additional services, which will be billed at our standard hourly rates for the types of services requested unless otherwise specified in a fee estimate.

Agency consent to production

The Agency hereby acknowledges that we may from time to time receive requests or orders from professional (provincial institutes) or other regulatory or governmental authorities (including the Canada Revenue Agency) to provide them with information and copies of documents in our files including working papers and other work-product relating to the Agency's affairs. The Agency consents to us providing or producing, as applicable, these documents and information without further reference to, or authority from, you.

When a regulatory authority requests access to our working papers and other work-product relating to the Agency's affairs, we will, on a reasonable efforts basis, refuse access to any document over which the Agency has expressly informed us at the time of delivery that the Agency asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Canadian Chartered Professional Accountants pursuant to its statutory authority in which event the Agency expressly consents to such disclosure. The Agency must mark any document over which it asserts privilege as privileged and inform us of the grounds for the Agency's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).

We may also be required to provide information relating to the fees that we collect from the Agency for the provision of audit services, other accounting services and non-audit services, and the Agency consents to the disclosure of that information as may be required by the regulatory authority.

The Agency agrees to reimburse us, upon request, at our standard billing rates for our professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

Release and indemnification

You agree to release, indemnify and hold harmless Doane Grant Thornton, its affiliates and their respective directors, officers, partners, principals, employees, consultants and contractors from any and all claims, liabilities, costs and expenses (including any and all legal expenses incurred by Doane Grant Thornton) arising out of or based upon:

- a) any misstatement or omission in any material, information or representation supplied or approved by you;
- b) any third party claim relating to or arising out of this Engagement; or
- c) any other matter related to or arising out of this Engagement, except to the extent finally determined to have resulted from the negligence, wilful misconduct or fraudulent behaviour of Doane Grant Thornton.

Limitation of liability

In any action, claim, loss or damage arising out of the Engagement, you agree that Doane Grant Thornton's liability will be several, and not joint and several and you may only claim payment from Doane Grant Thornton of its proportionate share of the total liability based on its degree of fault as finally determined. Any action against us must be commenced on or before the date which is the earlier of i) eighteen months from the completion of the Services; and ii) the date by which an action must be commenced under any applicable legislation other than limitation legislation.

The total liability assumed by Doane Grant Thornton, whether to you or any other party, for any claim, loss or damage arising out of or in connection with the Engagement, regardless of the form of action, claim, loss or damage be it tort, contract or otherwise, shall in no event exceed the aggregate of the professional fees paid to Doane Grant Thornton for the Services. In addition, Doane Grant Thornton shall not under any circumstances be liable for any special, indirect or consequential damages, including without limitation, lost profit or revenue, or similar damages.

Standard terms and conditions

This letter and our standard terms and conditions attached as [Schedule A](#), shall form the basis of the Engagement.

Survival of terms

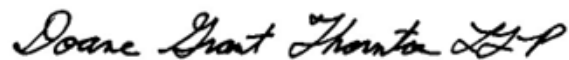
This engagement letter will continue in force for subsequent audits unless terminated by either party by written notice prior to the commencement of the subsequent audit.

Acceptance of engagement letter

Please confirm your acceptance of this Engagement by signing below and returning this letter to us.

We are proud to serve you and we appreciate your confidence in our work. If you have any questions about the contents of this letter, please raise them with us.

Yours sincerely,
Doane Grant Thornton LLP



Heather Murk, CPA, CA

Partner*

*A partner through Heather Murk Professional Corporation

The services and terms as set forth in this letter are agreed to.

enCompass Community Safety Agency

By:

(Signature)

(Name)

(Title)

(Date)

(Signature)

(Name)

(Title)

(Date)

Schedule A

Terms and conditions

Except as otherwise specifically stated in the Engagement, the following general terms and conditions apply to and form part of the Engagement.

Responsibilities – Doane Grant Thornton shall use all reasonable efforts to complete the Services within the time-frame, if any, stipulated in the Engagement. Doane Grant Thornton shall not be liable for failures or delays in performance of the Services that arise from causes beyond its control, including the untimely performance by the Agency of its obligations and responsibilities as set out in the Engagement.

In addition, Doane Grant Thornton reserves the right, in whole or in part, to decline the performance of any Service(s) if, in the sole discretion of Doane Grant Thornton, the performance of any of the Services may cause Doane Grant Thornton to be in violation of any applicable law, regulations, professional standards or obligations or which may otherwise result in damage to Doane Grant Thornton's reputation.

Information and announcements – The Agency shall cause to be provided or provide Doane Grant Thornton with all material information in its possession or control or to which it has access and such other information as Doane Grant Thornton deems relevant for the purposes of the Engagement. The Agency shall also provide where applicable, access to its directors, officers or professional advisers as required to complete the Services. The Agency undertakes that if anything occurs after the supply of any such information or documents which would render same inaccurate, untrue, unfair or misleading it will promptly notify Doane Grant Thornton and take all such steps as Doane Grant Thornton may require to correct such information or documents.

Unless otherwise contemplated or permitted by the Engagement, any advice, reports (including the audit report), compiled or reviewed financial statements, discoveries, information or opinions, whether written or oral, rendered or provided by Doane Grant Thornton to the Agency (and/or its affiliates) ("Deliverables"), or any communications between Doane Grant Thornton and the Agency (and/or its affiliates) in connection with the Engagement may not be disclosed to any third party without the prior written consent of Doane Grant Thornton with the exception of any applicable Canadian taxing authorities and the Agency's financial institution. Any Deliverables shall be solely for the benefit of the Agency and not for the benefit of any third party and may be relied upon only for the purpose for which the Deliverable is intended as contemplated or defined within the Engagement. Doane Grant Thornton recognizes no responsibility whatsoever, other than that owed to the Agency as at the date on which the Deliverable is given to the Agency by Doane Grant

Thornton, for any unauthorized use of or reliance on any Deliverables. Unless otherwise expressly provided for within the Engagement or upon written consent of Doane Grant Thornton, no Deliverables shall be used or relied on by the Agency as expert evidence or included as evidence in any litigation or court proceeding.

Notwithstanding any term within the Engagement and by way of an exception to this paragraph, nothing within the Engagement shall prohibit the disclosure by the Agency or Doane Grant Thornton to any person or to the Minister of National Revenue, or the Quebec Minister of Finance as applicable, of the details, including the tax treatment or structure of any transaction or series of transactions, contemplated by the Deliverables, if the transaction or series or transactions would be, or would otherwise be if not for this exception, i) a reportable transaction or an avoidance transaction, as defined by subsection 237.3(1) of the *Income Tax Act* (Canada) ("ITA"), or a series of transactions including an avoidance transaction under which a tax benefit to the Agency results or would result but for section 237.3(1) of the ITA; ii) a notifiable transaction as defined by 237.4(1) of the ITA; iii) a confidential transaction under section 1079.8.6 of the *Taxation Act* (Quebec) ("TA"); or iv) any other type of reportable tax avoidance transaction or similar type of transaction requiring disclosure to a taxing authority as defined by any other applicable legislation or regulations.

The Agency acknowledges that the Services will involve analysis, judgement and other performance from time to time in a context where the participation of the Agency or others is necessary, where answers often are not certain or verifiable in advance and where facts and available information change with time. Accordingly, the Agency agrees that the evaluation of the Services provided by Doane Grant Thornton shall be based solely on Doane Grant Thornton's substantial conformance with any standards or specifications expressly set forth within this Engagement and applicable professional standards, and any claim of non-conformance (and applicably of such standards) must be clearly and convincingly shown. Unless the Agency or Doane Grant Thornton agree otherwise in writing, Doane Grant Thornton shall have no responsibility to update any of the Services or Deliverables after their completion, and any such updates will be billed at Doane Grant Thornton's then current hourly rates.

Independence – In the event, the Agency is (i) an entity that is registered with the United States Securities and Exchange Commission; or (ii) an affiliate of a registrant, and a provision(s) contained within the Engagement would be prohibited by, or impair the independence of, any member firm of Grant Thornton International Ltd ("Grant Thornton International") under any law or regulation applying to the Agency, such provision(s) shall not apply to the Engagement to the extent that is

necessary to avoid the prohibition against or impairment of the referenced independence of the respective Grant Thornton International member firm.

Independent contractor – Doane Grant Thornton shall provide all services as an independent contractor and nothing in this Engagement shall be construed as to create a partnership, joint venture or other similar relationship with the Agency or any other party. Neither the Agency nor Doane Grant Thornton shall have the right, power or authority to obligate or bind the other in any manner.

Subcontracting – The Agency agrees that Doane Grant Thornton may authorize, allow or require its affiliates and contractors to assist in the performance of the Services and to share in Doane Grant Thornton's rights under the Engagement, including any protections available thereunder, provided that such party(ies) shall commit (as applicable) to be bound by the obligations set forth in the Engagement.

Grant Thornton International Ltd – Doane Grant Thornton is a Canadian member of Grant Thornton International Ltd., a global organization of member firms in over 100 countries. Member firms are not members of one international partnership or otherwise legal partners with each other. There is no common ownership, control, governance, or agency relationship between member firms.

Assisting Firms – Unless otherwise stipulated within the Engagement, this Engagement is with Doane Grant Thornton. In the course of providing the Services, we may at our sole discretion, draw upon the resources of or subcontract a portion of the Services to another entity (including a partnership) which may carry on business under the name which may include within its name "Grant Thornton" or be another member firm of the worldwide network of Grant Thornton International Ltd. member firms (hereinafter "GTIL Member Firms").

Unless a GTIL Member Firm is directly contracted by you to provide any of the Services which are subject to this Engagement, the provision of those Services remain the responsibility of Doane Grant Thornton and the Agency agrees that it will not bring any claim, whether in contract, tort (including negligence) or otherwise against any GTIL Member Firm in respect of this Engagement or the Services defined herein. In these circumstances, any GTIL Member Firm that deals with you for the purpose of completing the Services does so on behalf of Doane Grant Thornton. The provisions of this clause have been stipulated for the benefit of GTIL Member Firms. GTIL Member Firms will have the right to rely on this clause as if they were parties to the Engagement and will have the right (subject to the discretion of the courts) to a stay in proceedings if you bring any claim against any GTIL Member Firms in breach of this clause.

Non-solicitation – The Agency agrees that it shall not solicit for employment or hire any of the partners, principals, employees or consultants of Doane Grant Thornton who are involved in the performance of the Services during the term of the Engagement and for a period of twelve (12) months thereafter.

Confidentiality – All information which Doane Grant Thornton receives from the Agency or the Agency's directors, officers, agents, advisors or counsel in connection with the Engagement and which is for the time being confidential ("Confidential Information"), will be held in strict confidence, provided that Doane Grant Thornton shall be free to, without the requirement to seek any further consent or authorization from the Agency, make disclosures (a) as a result of any applicable law or regulation (including any disclosure, notification or other reporting obligation under the *Income Tax Act* (Canada), *Taxation Act* (Quebec) or any other applicable legislation), court or other order binding upon it, under the laws of, or pursuant to any governmental action (including requests and orders), regulatory requirement, or professional standard obligations (including disclosure to a provincial institute of chartered professional accountants); (b) of such information to any professional advisers, consultants and contractors, including GTIL Member Firms it may consult in connection with the Engagement and the performance of the Services; and (c) as set out in the Engagement.

Doane Grant Thornton may disclose Confidential Information to GTIL Member Firms for the purposes of fulfilling its professional obligations to manage conflicts of interest and to maintain auditor independence. Confidential Information may also be disclosed as part of compliance reviews or to implement standardized performance measurement, client relationship management and documentation systems within the global Grant Thornton network. The Confidential Information disclosed may include ownership information and information about related entities and such information may be stored, processed and accessed from locations outside of Canada.

Notwithstanding anything to the contrary contained within the Engagement, Doane Grant Thornton shall not be obligated to treat as confidential, or otherwise be subject to any restrictions on use, disclosure or treatment as contained within the Engagement, of any information disclosed by the Agency which, (i) is rightfully known by Doane Grant Thornton on a non-confidential basis prior to its disclosure by the Agency; (ii) is independently developed by Doane Grant Thornton without reference to or use of the Agency's Confidential Information; (iii) is or later becomes publicly available without violation of the Engagement; or (iv) is lawfully obtained by Doane Grant Thornton from another party.

Working papers/reports – The advice or opinions of Doane Grant Thornton, including all materials, reports, information, data, and work created, developed or performed by Doane Grant Thornton during the course of the Engagement (“the Doane Grant Thornton Materials”) shall belong to Doane Grant Thornton, with the exception of final tax returns, original contracts, other documents of title held to the Agency's order and any documents the return of which the Agency has stipulated, on or prior to their release to Doane Grant Thornton (the “Agency Materials”). Notwithstanding the foregoing, (i) Doane Grant Thornton may retain a copy of the Agency Materials (including Confidential Information) as required by Doane Grant Thornton, in its sole discretion, to meet any obligations imposed by professional standards; and (ii) nothing shall require the return, erasure or destruction of back-ups made in accordance with Doane Grant Thornton's document-retention procedures.

Conflict of interest – Doane Grant Thornton, its associated entities and GTIL Member Firms are involved in a wide range of financial advisory activities out of which conflicting interests or duties may arise. Within Doane Grant Thornton, its associated entities and GTIL Member Firms, practices and procedures are maintained to restrict the flow of information and thereby manage or assist in managing such conflicts in a proper manner. Nothing within this Engagement will be interpreted to preclude Doane Grant Thornton, its associated entities and GTIL Member Firms from engaging in any transaction or representing any other party at any time or in any capacity, provided that Doane Grant Thornton shall not, knowingly provide services to another party under circumstances which would place Doane Grant Thornton in a direct conflict of interest during the term of the Engagement without the Agency's prior written consent. In the event Doane Grant Thornton becomes conflicted, as determined in its discretion, Doane Grant Thornton shall be permitted, but not obligated to, terminate this Engagement without any additional liability to the Agency, upon fourteen (14) days prior written notice.

Access to and disclosure of information – Doane Grant Thornton is committed to the protection of personal information. During the course of planning, performing and reporting the result of the Services, Doane Grant Thornton, its employees, partners, contractors, consultants, and GTIL Member Firms may need to obtain, use and disclose Agency information (including Confidential Information and personal information) in the possession of, or under the control of the Agency. The Agency acknowledges this potential use and/or disclosure and agrees that it is responsible for obtaining, where required under applicable law or regulation, a court order or consent from any third party in order to permit Doane Grant Thornton, its employees, partners, contractors, consultants, and/or GTIL Member

Firms, to access, obtain, use and/or disclose Agency information (including Confidential Information and personal information) accessed by us or provided to us by the Agency or a party authorized by the Agency for the purposes of completing the Services, and/or other disclosure so defined within the Engagement or for those additional purposes as more fully explained within Doane Grant Thornton's privacy policy, as it may be amended from time to time and available at www.doanegrantthornton.ca.

Electronic communication – Doane Grant Thornton and the Agency may need to electronically transmit confidential information to each other and to other entities engaged by either party during the Engagement. Electronic methods include, but are not limited to telephones, cellular telephones, electronic mail and facsimiles. These technologies provide for a fast and convenient way to communicate. However, all forms of communications have inherent security weaknesses and the risks of compromised confidentiality cannot be eliminated. Notwithstanding the inherent risks, the Agency agrees to the use of such electronic methods to transmit and receive information (including confidential information), between Doane Grant Thornton and the Agency and between Doane Grant Thornton and outside specialists, contractors or other entities engaged by either Doane Grant Thornton or the Agency. The Agency further agrees that Doane Grant Thornton shall not be liable for any loss, damage, expense, inconvenience or harm resulting from the loss, delay, interception, corruption or alteration of any electronic communication due to any reason whatsoever.

The Agency also agrees that Doane Grant Thornton professionals shall be authorized to connect their computers to the Agency's IT network, subject to any specific restrictions the Agency provides to Doane Grant Thornton. Connecting to the Agency's IT network or the internet via this network, while at the Agency's premises, will be primarily for the purpose of conducting normal business activities, and those relating to the completion of the Services.

Expenses – If applicable, the Agency will reimburse Doane Grant Thornton for all reasonable out-of-pocket expenses incurred by Doane Grant Thornton in entering into and performing the Services, whether or not it is completed, including but not limited to, travel, telecommunications costs, fees and disbursements of other professional advisers, and other disbursements customary in engagements of this nature. Normal administrative expenses are charged on the basis of a percentage of professional costs. The administrative fee is equal to 9% of the total professional fees invoiced during the Engagement. All other out-of-pocket expenses will be charged at cost as incurred by Doane Grant Thornton.

Taxes – All fees and other charges payable to Doane Grant Thornton do not include any applicable federal, provincial, or other goods and services tax or sales tax, or any other taxes or duties whether presently in force or imposed in the future. All sums payable to Doane Grant Thornton hereunder shall be paid in full without withholding or deduction.

Billing – All invoices issued by Doane Grant Thornton hereunder are due within 30 days of the invoice date. Interest will be charged on all overdue accounts at a rate of 1.5% per month (18% per annum) until paid. Fees paid or payable to Doane Grant Thornton under this Engagement are non-refundable and shall not be subject to set-off. Unless otherwise directed by Doane Grant Thornton, all fees, expenses and other sums will be billed and payable in Canadian Dollars.

Termination – Either the Agency or Doane Grant Thornton may terminate the Engagement upon fourteen (14) days prior written notice to the other party. In addition to the foregoing, Doane Grant Thornton may also terminate the Engagement in the event of a breach of any term of the Engagement by the Agency which is not cured by the Agency within ten (10) days of receipt of written notice as to the breach. Upon termination for any reason, the parties shall return each other's confidential information, except that Doane Grant Thornton may retain one copy for its working papers and one copy of the Agency Data may also be retained by Doane Grant Thornton even if same may contain confidential information of the Agency. In addition to its rights of termination provided herein and notwithstanding anything to the contrary in the Engagement, Doane Grant Thornton shall also have the right (i) upon five (5) days prior written notice to the Agency, to suspend or terminate its Services in the event the Agency fails to pay Doane Grant Thornton any amount due to it under the terms of the Engagement; or (ii) immediately upon written notice to the Agency, terminate its Services in the event Doane Grant Thornton discovers any information which Doane Grant Thornton determines, in its sole discretion, may affect its reputation, integrity or independence. In the event of termination, the Agency agrees to compensate Doane Grant Thornton for all time expended and costs incurred up to and including the date of termination.

Severability – Each provision of this Engagement is severable and if any provision (in whole or in part) is or becomes invalid or unenforceable or contravenes any applicable regulations or laws, the remaining provisions and the remainder of the affected provision (if any) will not be affected.

Assignment – No assignment shall be made by either party of their respective obligations under this Engagement without the prior written consent of the other party.

Publication – Under no circumstances without the express prior written consent of Doane Grant Thornton, shall the Agency disclose, release, use, make reference to, or quote Doane Grant Thornton's name, logo or any Deliverable (whether written or verbal) within any press release, press conference, website update, media release or any other form of public disclosure ("Disclosure Document") other than for litigation purposes, but only to the extent and in the manner that such use is contemplated by the Engagement. In the event the Agency wishes to seek Doane Grant Thornton's consent as required by the Engagement, the Agency shall provide to Doane Grant Thornton a copy of such Disclosure Document for prior approval, which approval may be unreasonably withheld. As aforementioned, notwithstanding the terms of this paragraph, the Agency is not prohibited from disclosing details, including the tax treatment or structure of any transaction, if the transaction or series of transactions would be, or would otherwise be if not for this exception, i) a reportable transaction or an avoidance transaction, as defined by subsection 237.3(1) of the ITA, or a series of transactions including an avoidance transaction under which a tax benefit to the Agency results or would result but for section 237.3(1) of the ITA; ii) a notifiable transaction as defined by 237.4(1) of the ITA; iii) a confidential transaction under section 1079.8.6 of the TA; or iv) any other type of reportable tax avoidance transaction or similar type of transaction requiring disclosure to a taxing authority as defined by any other applicable legislation or regulations.

Agency representations, warranties and covenants

– The Agency represents, warrants and covenants to Doane Grant Thornton that:

- a. the execution, delivery and performance of the Engagement has been duly authorized and does not, and with the passage of time, will not conflict with or violate any contractual, statutory, common law, legal, regulatory or other obligation by which the Agency is bound; and
- b. the Engagement is the legal, valid and binding obligation of the Agency, enforceable in accordance with its terms.

Doane Grant Thornton representations, warranties and covenants

– Doane Grant Thornton represents, warrant and covenants to the Agency that Doane Grant Thornton will provide the Services described within the Engagement in a professional and competent manner. Doane Grant Thornton makes no other representation or warranties and explicitly disclaims all other warranties and representations whether expressed or implied by law, usage of trade, course of dealing or otherwise.

Surviving provisions – The Agency's obligations in respect of confidentiality, payment of fees and expenses, limitation of liability and Release and

Indemnification as outlined within the Engagement and these terms and conditions shall survive termination of the Engagement.

Governing law and forum – The Engagement, including these terms and conditions shall be governed by and construed in accordance with the laws of the Province in which the Engagement was signed by Doane Grant Thornton.

Other matters – The failure of either party to insist on strict performance of the Engagement, or to exercise any option herein, shall not act as a waiver of any right, promise or option, but the same shall be in full force and effect. No waiver of any term or provision or of any breach or default shall be valid unless in writing and

signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any other term or provision or any subsequent breach or default of the same or similar nature.

Complete agreement – This Engagement, including these terms and conditions and any schedules, sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels any prior communications, understandings, and agreements between the parties. This Engagement may not be amended or modified except in writing between the parties and shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

Appendix C – ASNPO Accounting Developments

Accounting – Standards issued by CPA Canada	Effective date
Preface to the CPA Canada Handbook – Accounting The CPA Canada Handbook (the CPA Handbook) is structured to accommodate the different standards that apply to the different categories of organizations. Preface to the CPA Canada Handbook – Accounting Part I – International Financial Reporting Standards (IFRS) Part II – Accounting Standards for Private Enterprises (ASPE) Part III – Accounting Standards for Not-for-Profit Organizations (ASNPO) Part IV – Accounting Standards for Pension Plans Not-for-profit organizations (NPOs) who report under Part III of the CPA Handbook are also required to follow the standards in Part II of the CPA Handbook for those areas that are not addressed in Part III of the CPA Handbook.	
Accounting Guideline (AcG) 21 Accounting for Life Insurance Contracts with Cash Surrender Value and related amendments This new Guideline provides guidance on how (1) to recognize and measure life insurance policies with a cash surrender value (CSV), and (2) how to present and disclose policy premiums and change in the CSV. The primary features of AcG 21 require an enterprise to: - recognize the CSV of a life insurance policy as an asset when it becomes the owner and beneficiary of the underlying insurance contract - measure the CSV at the amount that would be immediately realized upon termination of the policy (prior to the death of the insured), and - present the difference between the aggregate policy premiums and the aggregate change in CSV for the period on a net basis As a result of new AcG 21, the following Sections were amended as follows: <i>Section 4410 Contributions – Revenue recognition</i> The Section has been amended with an exception that will no longer require NPOs to measure contributions of a life insurance policy with cash surrender value at fair value <i>Section 1501 First-time Adoption by NPOs</i> The Section has been amended to permit a first-time adopter to apply the transitional provisions in AcG 21 <i>Section 4449 Combinations by NPOs</i> This Section has been amended to provide an exception to the requirement to measure identifiable assets at their acquisition-date fair values for life insurance policies with cash surrender value.	Fiscal years beginning on or after January 1, 2026. Early application is permitted.

Accounting – Standards issued by CPA Canada	Effective date
Section 3400 Revenue – upfront non-refundable fees or payments The Section has been amended to indefinitely defer the effective date of previous amendments related to upfront non-refundable fees or payments. The new amendments also require the disclosure of the nature and amount of upfront non-refundable fees or payments recognized in revenue upon entering into the arrangement. The disclosure requirement is effective for fiscal years beginning on or after January 1, 2025, with earlier application permitted.	Fiscal years beginning on or after January 1, 2025. Early application is permitted.
Accounting Guideline (AcG) 20 Customer's Accounting for Cloud Computing Arrangements This new Accounting Guideline provides guidance on how to account for a customer's expenditures in a cloud computing arrangement and, how to determine whether a software intangible asset exists in the arrangement. The key objectives of the accounting guideline are to: - clarify that an enterprise must allocate the arrangement consideration to significant separable elements in a cloud computing arrangement on a rational and consistent basis - clarify that an enterprise must apply Section 3064 <i>Goodwill and Intangible assets</i> to account for any significant elements unless the elements are tangible assets or right-to-use assets - provide a simplified approach to allow an enterprise to expense expenditures (other than those related to tangible capital assets or rights to use a tangible capital asset) as they are incurred, treating them as a supply of services - provide factors to consider when determining whether the arrangement includes a software intangible asset or is software service; and - provide an accounting policy choice to either: - capitalize directly attributable expenditures on implementation activities when the arrangement is a software service; or - expense such expenditures as incurred	Fiscal years beginning on or after January 1, 2024. Early application is permitted.

Proposed new contributions revenue recognition guidance in ASNPO

In March 2023, the Accounting Standards Board (AcSB) issued an Exposure Draft entitled [*Contributions – Revenue recognition and related matters*](#). The Exposure Draft includes a proposed new Handbook Section 4411 *Contributions received by not-for-profit organizations*, which would replace current Sections 4410 *Contributions – revenue recognition* and 4420 *Contributions receivable*, along with proposed amendments to Section 4400 *Financial statement presentation for not-for-profit organizations*. Below is a summary of some of the significant proposals:

Proposed new Section 4411 *Contributions received by not-for-profit organizations*

Restricted contributions

- A revised definition of a restricted contribution
- The proposals would have replaced the existing accounting policy choice between the deferral method and the restricted fund method with a single approach for recognizing revenue from restricted contributions.

Contributed materials and services

- There would be an accounting policy choice for contributed materials and services to either:
 - not recognize them in the financial statements, or
 - recognize them only if the following criteria are met:
 - the fair value can be reasonably estimated
 - they are used in the normal course of the NPO's operations, and
 - they would otherwise have to be purchased to fulfil the NPO's mandate

The accounting policy choice would have to be applied consistently to all contributed materials and services

- The NPO would have to present revenue from contributed materials and services separately on the statement of operations
- The NPO would have to disclose:
 - qualitative information about the nature of contributed materials and services not recognized in the financial statements
 - any dependence on contributed materials and services to achieve future objectives

Pledges and bequests

- Pledges and bequests would be recognized only when the proposed recognition criteria are met for each individual pledge or bequest, which includes the requirement that collection of each individual pledge or bequest is reasonably assured
- In many cases, this proposal would result in a delay of the recognition of pledges or bequests until the cash is actually received

Proposed amendments to Section 4400 *Financial statement presentation by not-for-profit organizations*

- Fund accounting would still be optional; however, when used, NPOs would have to provide comparative period information for all funds (on the face of the statements, in the notes, or using schedules) and information about the factors used to determine the funds presented
- NPOs would have to disclose information about the requirements related to its restricted contributions, including endowment contributions, and the assets it determines are available to meet those requirements

The proposed effective date of the new handbook section and related amendments in the Exposure Draft was for fiscal years beginning on or after January 1, 2026, with earlier application permitted. The deadline for stakeholders to respond to the Exposure Draft was September 30, 2023.

Given the numerous responses, the AcSB has decided to defer the proposed effective date to allow the AcSB time for further outreach to stakeholders and consultation with the NPO sector on the best option to move forward. The Board considered feedback from the Exposure Draft and additional outreach and concluded that a single revenue recognition model may not meet the needs of the NPO sector. Therefore, the AcSB will continue to allow an accounting policy choice for the recognition of contributions. A new Exposure Draft is currently in development to propose improvements to the existing methods for recognizing restricted contributions with an objective to improve quality and understandability of NPO financial statements through improved consistency in application of the standards. The Board will also consider all of the other comments and whether to make additional changes in a Re-exposure Draft.

Potential changes to the existing accounting frameworks for NPOs and private enterprises

More than 10 years ago, the AcSB established 4 parts of the CPA Canada – Accounting Handbook: International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE), Accounting Standards for Not-for-Profit Organizations (ASNPO) and Accounting Standards for Pension Plans. The AcSB is aware that, in Canada's current financial reporting landscape, there is significant diversity in the sizes and complexity of private enterprises and NPOs. As a result, the AcSB is consulting with stakeholders to explore scaling the existing accounting frameworks to better meet the reporting needs of these types of entities. The first step in this consultation was to issue a Consultation Paper entitled [Exploring Scalability in Canada](#) in April 2023. In this project, the AcSB will assess whether there should be changes to the existing frameworks in the CPA Handbook to better meet the needs of stakeholders in entities of all sizes. Some of the possible solutions identified so far include:

- Simplified recognition and measurement in certain standards
- Reduced disclosure requirements, if an entity meets certain criteria (e.g., size test)
- Intermediary accounting framework option between IFRS and ASPE / ASNPO
- A new framework for small entities

The April 2023 Consultation Paper represents the first phase of consultation. Tentatively, the AcSB has decided that it will not proceed with an intermediary accounting framework option between IFRS and ASPE / ASNPO and pause research on a potential new framework for small not-for-profit entities. Due to mixed feedback on whether the Handbook is too complex, the AcSB will respond by reviewing ASPE in detail to identify specific challenges that entities are facing and propose practical solutions. A second consultation paper will be issued for feedback on the Board's findings and proposals. The Board has decided to undertake a detailed review of the ASPE to identify the most complex requirements and propose practical solutions with the aim to increase understandability of its standards for all entities.

As part of this project, the Board committed to evaluating the CPA Canada Handbook – Accounting's Preface to assess whether the applicability of each framework to each reporting entity category (i.e., publicly accountable enterprise, private enterprise, not-for-profit organization, pension or benefit plan) is appropriate. The AcSB will work to identify the types of entities that fall into each category and explore whether their financial reporting needs are adequately met by the corresponding framework. If not, the Board will also explore alternative options and consider if changes to the Preface are needed.

The AcSB is currently gathering information and researching issues with the current Preface of the CPA Canada Handbook to identify potential solutions.

Appendix D – Auditing Developments

Canadian Exposure Drafts issued by the AASB	Effective date
Potential revisions to CAS 500 <i>Audit Evidence</i> The current audit evidence standard was issued many years ago. Since then, developments in technology have affected how entities operate and process information and how audits are performed. In December 2020, the IAASB initiated a project to revise the current standard to respond to changes in the business environment. The Exposure Draft proposes several key changes: To respond to changes in the information auditors use, including the nature and source of the information, a set of attributes has been developed to enhance the auditor's principle-based judgments related to audit evidence in a wide variety of circumstances. Enhancements and clarifications have also been made regarding the auditor's role when using information prepared by management's expert To modernise the standard and support a principles-based approach that recognises the evolution in technology, new application material has been added, including explanations of how automated tools may affect auditor bias and examples that recognise the use of technology by the entity or the auditor To foster professional skepticism when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence, language has been added to emphasise the importance of maintaining professional skepticism at various stages, such as when attempting to ensure that audit procedures are being designed and performed in an unbiased manner	The comment period for the Exposure Draft ended on March 15, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2025, but the exact effective date will depend on when the standard is approved.

Canadian Exposure Drafts issued by the AASB	Effective date
Potential revisions to CAS 570 <i>Going Concern</i> Auditors are required to obtain sufficient appropriate audit evidence on the appropriateness of management's use of the going concern basis of accounting and conclude on whether a material uncertainty exists in relation to going concern. Financial statement users have raised questions about how much auditors should be able to detect from their audit procedures in this area, and what is communicated to users about the entity's ability to continue as a going concern. This led the IAASB to initiate a project to revise the standard. In April 2023, the IAASB issued its Exposure Draft and the AASB has issued a corresponding Exposure Draft. The Exposure Draft proposes several key changes, which include: - Defining material uncertainty related to going concern - Enhancing the risk identification and assessment requirements so they are consistent with those set out in CAS 315 (Revised) <i>Identifying and Assessing the Risks of Material Misstatement</i> - Enhancing the auditor's evaluation of management's going concern assessment, including requirements to support the auditor's application of professional skepticism - Adding a requirement for the auditor to request management to extend its going concern assessment of the entity to cover at least 12 months from the date of approval of the financial statements if management has not already done so - Enhancing the auditor's consideration of information related to management's going concern assessment that becomes available to the auditor after the date of the auditor's report but before the date the financial statements are issued - Adding requirements to enhance communications about going concern in the auditor's report	The comment period for the Exposure Draft ended on July 31, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.
Potential revisions to CAS 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> High quality audits contribute to the efficiency of capital markets and financial stability. In recent years, corporate failures and scandals have brought the topic of fraud to the forefront and led to questions from stakeholders about the role and responsibilities of the auditor relating to fraud in an audit of financial statements. This led the IAASB to initiate a project to revise the standard. In February 2024, the IAASB issued its Exposure Draft and the AASB has issued a corresponding Exposure Draft. The Exposure Draft proposes several key changes, which include: - Clarifying the roles and responsibilities of the auditor with respect to fraud - Establishing more robust requirements if fraud or suspected fraud is identified - Reinforcing the importance of exercising professional skepticism in fraud-related audit procedures - Strengthening communications through the audit with management and those charged with governance about matters related to fraud - Adding transparency on fraud-related responsibilities and procedures in the auditor's report	The comment period for the Exposure Draft ended on May 6, 2024. It is expected that the effective date for the revised standard will be for periods beginning in 2026 but the exact effective date will depend on when the standard is approved.
Proposed Canadian Standard on Sustainability Assurance (CSSA) 5000, <i>General Requirements for Sustainability Assurance Engagements</i> In September 2022, the IAASB approved a project proposal to develop a new overarching standard for sustainability assurance engagements. In January 2023, the AASB approved a project proposal to concurrently adopt this international standard with any potential additional Canadian amendments, as a first of its kind Canadian Standard on Sustainability Assurance (CSSA). CSSA 5000 will not be a financial statement audit standard, but rather will serve as a comprehensive, standalone standard suitable for sustainability assurance engagements. It will apply to sustainability information reported across any appropriate sustainability topic, prepared according to any suitable framework, including the recently released IFRS Sustainability Disclosure Standards S1 and S2. The proposed standard is profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners who meet the relevant ethical and quality management requirements, and will apply to both limited and reasonable assurance engagements.	The comment period for the Exposure Draft ended on November 6, 2023. It is expected that the effective date will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.