

Cash Management and Investment Policy

Canadian Nuclear Association

Date of creation: March 25, 2021

Revisions:

Purpose

The purpose of this Cash Management and Investment Policy is to establish a prudent framework for the management of the Canadian Nuclear Association (CNA) cash and investment portfolio. It specifies investment objectives and sets standards for reporting and review.

Funding is received during certain periods of the year from member fees and revenue from its annual conference. The primary goal of this policy is to avoid carrying a large monthly bank balance and the preservation of capital. The secondary purpose is to establish the guidelines for the investment of excess cash not immediately required for operations through either a high interest savings account, short-term guaranteed investment certificates (GIC) or in an investment portfolio managed by a third-party.

A key element of the Canadian Nuclear Association (CNA) Cash Management and Investment Policy is found in the Asset Allocation Guidelines section. Over time, our asset allocation among the primary asset classes (cash reserves, fixed income, equities and alternative investments) and across geographic regions (domestic and global) will have the greatest impact on the likelihood of achieving our objectives at a level of risk that is acceptable. Should there be a material change in our financial objectives, risk tolerance or financial circumstances, a review of this Cash Management and Investment Policy would be required.

Return Objectives

The primary goal of the portfolio is preservation of capital. Funding is received from member firms on an annual basis and the portfolio is to be used to provide for the ongoing operations of the Canadian Nuclear Association. The secondary goal of the portfolio is to provide a return equal to money market rates on any funds not required for periods of 6 months or longer. Should there be a material change in the financial objectives or risk tolerance of financial circumstances a review of this policy would be required.

Investor Profile/Risk Tolerance

Due to the primary focus on capital preservation, the portfolio can be characterized as having a low risk level. As a result, the portfolio is focused on income returns sufficient to keep the portfolio's value in pace with inflation. There is no equity exposure in the portfolio.



Liquidity/Income Needs

The CNA’s cash flow needs from time to time could require withdrawal of income generated in any given year. The portfolio should be sufficiently flexible to accommodate such withdrawals.

Legal and Regulatory Considerations

There are no legal or regulatory issues or restrictions that affect this portfolio, income generated from the portfolio or the portfolio’s beneficiaries.

Asset Allocation Guidelines

Excluding cash holdings for operations, the portfolio will be invested at all times. In absence of additional considerations, an asset allocation of 95% fixed income and 5% cash is recommended.

When the portfolio’s asset allocation reaches the lower or upper asset allocation ranges, a review of the asset allocation may occur to assess if rebalancing is necessary.

Fixed Income investments will be evaluated in relation to volatility, risk and potential return. For purposes of this policy, fixed income securities are limited to money market funds, guaranteed investment certificates with a minimum BBB rating ensuring where possible investments are covered by CDIC insurance.

To avoid a high number of transactions between CNA's operating account and third-party brokerage account, management will establish a high interest savings account to deposit excess cash from operations. Management may also invest excess cash from operations in GICs if they will generate a higher return than the high interest savings account.

	LOWER	POLICY	UPPER
CASH	0%	5%	10%
FIXED INCOME	90%	95%	100%
EQUITY	0%	0%	0%

Review

The finance committee will review this policy every second year from the date of its approval or sooner if warranted by internal or external events or changes. Changes to the policy are to be approved by the finance committee and recommended to the executive committee. The policy becomes effective upon approval by the board of directors.

Related Information

- Net Asset Reserve Policy
- Signing Authority Policy

Capitalization and Amortization of Asset Policy

Canadian Nuclear Association

Date of creation: April 26, 2013
Revisions: Feb. 26, 2014
March 25, 2021

Purpose

This policy defines capital assets and establishes the accounting procedures associated with the recognition and accounting of these assets over their expected useful lives. This policy applies to all acquisitions made by the Canadian Nuclear Association (CNA).

Expenditures for all items that fit in the definitions of capital asset and capital asset threshold will be capitalized. All capital assets will initially be recorded at cost, except donated assets that will be recorded at fair market value. Amortization will be recorded over the capital asset's useful life, using the straight-line method or on the declining balance basis as outlined below.

Definition

Amortization is the process of allocating the cost of an asset to the periods of benefit, over the useful life.

A capital asset is an item that possesses the following characteristics:

- has a life expectancy of more than one year under normal use
- is an original unit or system costing \$500 or more at date of purchase
- has an identity which does not change with use
- is usually repaired and not replaced, when damaged
- is not intended for sale in the ordinary course of business

A capital system possesses all the above characteristics and consists of two or more accessories, components or attachments that:

- together, comprise a single purchase exceeding \$500 (subsequent add-ons less than \$500 are not included)
- normally do not function independently in their proper or full capacity
- are acquired for, and identified with, a specific system
- include bulk purchases of equipment, when acquired as an expansion to existing operations, and
- individually possess all the characteristics of a capital asset, except cost



Intangible items that lack physical substance, such as brand names, copyrights, franchises, licenses and patents, are not included in this policy.

Capital Asset Threshold

Items with a life expectancy exceeding one year and costing less than \$500 are recorded as an operating expenditure in the year acquired.

Expendable Equipment

Expendable equipment is capital in nature, but costs less than \$500.

Useful Life

The estimate of the period over which a capital asset is expected to be used by the Association. The life of a capital asset may extend beyond its useful life to the Association. The life of a capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial or legal life.

Capital Asset Categories

Equipment: Items that can be relocated and are not integral parts of buildings.

Leasehold Improvements: Costs of improvements to non-owned land or buildings.

Software: Any programs that run on a computer.

Regulation

This policy is governed by generally accepted accounting principles, standards and practices as governed by the Professional Chartered Accountants of Canada.

Procedure – Amortization Method

Under the straight-line method of amortization

- the cost of a capital asset will be recorded as an operating expense over its useful life
- amortization will be calculated on a monthly basis, using whole months and not the exact purchase date
- the month in which the asset is purchased will be included
- the month in which a capital asset is disposed of will not be included
- salvage value is assumed to be nil

Under the declining balance basis method of amortization, the net book value of the asset is amortized at an annual rate.

- the cost of a capital asset will be recorded as an operating expense over its useful life

- amortization will be calculated on a monthly basis, using whole months and not the exact purchase date
- the month in which the asset is purchased will be included
- the month in which a capital asset is disposed of will not be included
- salvage value is assumed to be nil

Capital Asset Categories

Major asset categories for the association include leasehold improvements, furniture and office equipment, and computer equipment.

For specific asset categories, amortization will be calculated in accordance with the following practices:

Leasehold Improvements - Amortization does not begin until the full cost of the expenditure is completed and are amortized over the remaining term of the lease.

Furniture and office equipment – Amortization is calculated from the month of purchase and based on the declining balance at the rate of 10%.

Computer equipment - Amortization is calculated from the month of purchase and based on the declining balance at the rate of 30%, 45% and 55% depending on the type of equipment.

Expendable equipment purchases are operating expenses and chargeable to operating expenditures account codes. Acquisitions under \$1,000 that are added to a capital system after the initial acquisition of that system are also considered operating expenses.

Review

The finance committee will review this policy every second year from the date of its approval or sooner if warranted by internal or external events or changes. Changes to the policy are to be approved by the finance committee and recommended to the executive committee. The policy becomes effective upon approval by the board of directors.

Related Policies

- Net Asset Reserve Policy
- Signing Authority Policy
- Cash Management and Investment Policy

Financial Statements of

**CANADIAN NUCLEAR
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020

DRAFT



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the members of Canadian Nuclear Association

Opinion

We have audited the financial statements of Canadian Nuclear Association (the Association), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 26, 2020.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

CANADIAN NUCLEAR ASSOCIATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 206,756	\$ 1,150,188
Investments (note 2)	2,804,166	2,010,798
Accounts receivable (note 3)	519,551	407,843
Prepaid expenses	29,740	73,308
	<u>3,560,213</u>	<u>3,642,137</u>
Tangible capital assets (note 4)	25,730	32,422
	<u>\$ 3,585,943</u>	<u>\$ 3,674,559</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 272,352	\$ 276,171
Government remittances payable	246,871	202,114
Canadian Nuclear Workers' Council program (note 5)	35,948	8,644
Deferred revenue (note 6)	354,046	778,405
	<u>909,217</u>	<u>1,265,334</u>
Net assets (note 7):		
Invested in tangible capital assets	25,730	32,422
Unrestricted	2,650,996	2,376,803
	<u>2,676,726</u>	<u>2,409,225</u>
Impact of COVID-19 pandemic (note 11)		
	<u>\$ 3,585,943</u>	<u>\$ 3,674,559</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANADIAN NUCLEAR ASSOCIATION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Membership fees	\$ 2,068,125	\$ 2,086,250
Conference	1,243,502	1,168,613
Other income	288,982	–
Ontario's Nuclear Advantage	187,267	230,990
SMR project	176,977	38,761
Investment	45,060	52,324
Rental revenue	39,803	40,626
	<u>4,049,716</u>	<u>3,617,564</u>
Expenses:		
Corporate services:		
Salaries	1,070,973	1,142,448
Conference expenses	586,857	572,090
Professional fees	315,284	248,193
Employee benefits	176,089	122,212
Rent and storage	151,249	144,924
Office	86,670	105,285
Travel and accommodation	35,067	130,791
Telecommunication	23,486	46,717
Amortization	18,591	5,967
Membership	16,401	–
Insurance	12,204	9,408
Board meetings	9,425	83,812
Translation services	–	7,416
	<u>2,502,296</u>	<u>2,619,263</u>
Program:		
Ontario Nuclear Advantage	187,267	230,990
SMR Project	176,977	38,761
Policy and research	115,381	260,940
Communications	413,010	243,981
Regulatory issues	77,795	153,091
Government relations	92,633	167,407
Stakeholder Relations	61,239	–
Strategic Projects	155,617	–
Awards	–	30,650
	<u>1,279,919</u>	<u>1,125,820</u>
	<u>3,782,215</u>	<u>3,745,083</u>
Excess (deficiency) of revenue over expenses	\$ 267,501	\$ (127,519)

See accompanying notes to financial statements.

CANADIAN NUCLEAR ASSOCIATION

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	Invested in tangible capital and assets	Unrestricted	2020 Total	2019 Total
Net assets, beginning of year	\$ 32,422	\$ 2,376,803	\$ 2,409,225	\$ 2,536,744
Excess (deficiency) of revenue over expenses	–	267,501	267,501	(127,519)
Amortization of tangible capital assets	(18,591)	18,591	–	–
Purchase of tangible capital assets	11,899	(11,899)	–	–
Net assets, end of year	\$ 25,730	\$ 2,650,996	\$ 2,676,726	\$ 2,409,225

See accompanying notes to financial statements.

CANADIAN NUCLEAR ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 267,501	\$ (127,519)
Item not involving cash:		
Amortization	18,591	5,967
Accounts receivable	(111,708)	683,377
Prepaid expenses	43,568	(31,911)
Accounts payable and accrued liabilities	(3,819)	131,012
Government remittances payable	44,757	(102,228)
Canadian Nuclear Workers' Council program	27,304	7,061
Deferred revenue	(424,359)	(283,893)
	(138,165)	281,866
Investing activities:		
Net increase in investments	(793,368)	(40,449)
Purchase of property and equipment	(11,899)	(14,517)
	(805,267)	(54,966)
Increase (decrease) in cash	(943,432)	226,900
Cash, beginning of year	1,150,188	923,288
Cash, end of year	\$ 206,756	\$ 1,150,188

See accompanying notes to financial statements.

CANADIAN NUCLEAR ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2020

The Canadian Nuclear Association (the "Association") is a voluntary group which promotes the peaceful uses of nuclear energy and technology. The Association comprises approximately 95 corporate members with high-tech and research companies dominating the membership list. The Association was incorporated under Part II of the Canada Corporations Act in 1960 and was continued under section 211 of the Canada not-for-profit Corporations Act in 2014. The Association is registered as a not-for-profit corporation under the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The Association's significant accounting policies are as follows:

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions for not-for-profit organizations.

Membership fee and conference revenues are recognized as revenue in the year in which they are earned.

Restricted program funds are recognized as revenue as program expenditures are incurred.

(b) Tangible capital assets:

Tangible capital assets are stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

Asset	Rate
Furniture and office equipment	10%
Computer equipment	30%, 45% and 55%

The carrying amount of an item of tangible capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(c) Expenses:

In the statement of operations, the Association presents its program expenses by function.

Expenses are recognized in the year incurred and recorded in the function to which they are directly related. The Association records certain program expenses on a prorated basis on headcount.

The allocation of these expenses is determined by management and is applied consistently year over year.

CANADIAN NUCLEAR ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and, as adjustments become necessary, they are recognized in the financial statements in the period they become known.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

	2020	2019
Guaranteed investment certificates	\$ 2,316,442	\$ 1,527,075
Money market funds	487,724	483,723
	<u>\$ 2,804,166</u>	<u>\$ 2,010,798</u>

CANADIAN NUCLEAR ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Investments (continued):

Investments have maturity dates between July 2021 and May 2022 and effective interest rates ranging from 0.5% to 1.86%. The investments are recorded at fair value at year end, which is consistent with the cost of the investments.

3. Accounts receivable:

Accounts receivable consist of the following:

	2020	2019
Membership fees - future year	\$ 510,763	\$ 167,625
Membership fees - current year	–	8,070
Ontario's Nuclear Advantage - future year	–	115,260
Sponsorships and registrations - Conference and Trade Show for future year	–	98,558
Others	8,788	18,330
	<u>\$ 519,551</u>	<u>\$ 407,843</u>

4. Property and equipment:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 91,937	\$ 81,542	\$ 10,395	\$ 13,181
Computer equipment	286,388	271,053	15,335	19,241
Leasehold improvements	57,899	57,899	–	–
	<u>\$ 436,224</u>	<u>\$ 410,494</u>	<u>\$ 25,730</u>	<u>\$ 32,422</u>

Cost and accumulated amortization at December 31, 2019 amounted to \$424,325 and \$391,903, respectively.

5. Canadian Nuclear Workers' Council program:

The Association administers a program on behalf of the Canadian Nuclear Workers' Council. The balance payable represents receipts in excess of disbursements with respect to program activities.

CANADIAN NUCLEAR ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Deferred revenue:

Deferred revenue represents next year's membership fees and sponsorships and registrations to the Annual Conference and Trade Show taking place subsequent to the year end, as well as unspent amounts related to the Ontario's Nuclear Advantage and SMR Secretariat programs. The make-up of the balance at year end is as follows:

	2020	2019
Membership fees	\$ 97,125	\$ –
Annual conference	–	588,240
SMR Project	123,023	–
Ontario's Nuclear Advantage	130,581	186,848
Deferred other	3,317	3,317
	<u>\$ 354,046</u>	<u>\$ 778,405</u>

7. Net assets:

The Association considers its capital to consist of its net assets. The Association's objective when managing net assets is to safeguard its ability to continue as a going concern so that it can continue to provide services and support to its members.

There are no externally imposed restrictions on the Association's net assets, and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2020.

8. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to the accounts receivable. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

CANADIAN NUCLEAR ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Financial risks (continued):

(c) Interest rate risk:

The Association believes it is not subject to significant interest rate risk arising from its financial instruments, as this risk is limited to its investments in guaranteed investment certificates as disclosed in note 2.

(d) Currency risk:

The Association is not subject to currency risk as it does not have any cash or investments in U.S. dollars on deposit.

9. Commitments:

The Association has an agreement to lease its office premises. The lease expires June 30, 2021. The future minimum payments under the agreement are as follows:

2021	\$ 62,953
------	-----------

10. Comparative information:

The financial statements have been reclassified to conform to the presentation used in the current year.

11. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world. The Canadian and Provincial governments have enacted and continually update emergency measures to combat the spread of the virus. Actions implemented by the Association include:

- implementing telework and remote work environments for staff;
- limiting business travel and in-person meetings;
- implementing health and safety measures on-premise in accordance with public health requirements;
- providing health and safety equipment to staff working on-premise.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report that provide additional evidence relating to conditions that existed as at year-end. Management has assessed the impacts and there are no additional adjustments required to the financial statements.

Canadian Nuclear Association

Audit Planning and Findings Report
for the year ended December 31, 2020

KPMG LLP

Prepared for the Finance Committee
meeting on February 23, 2021

kpmg.ca/audit

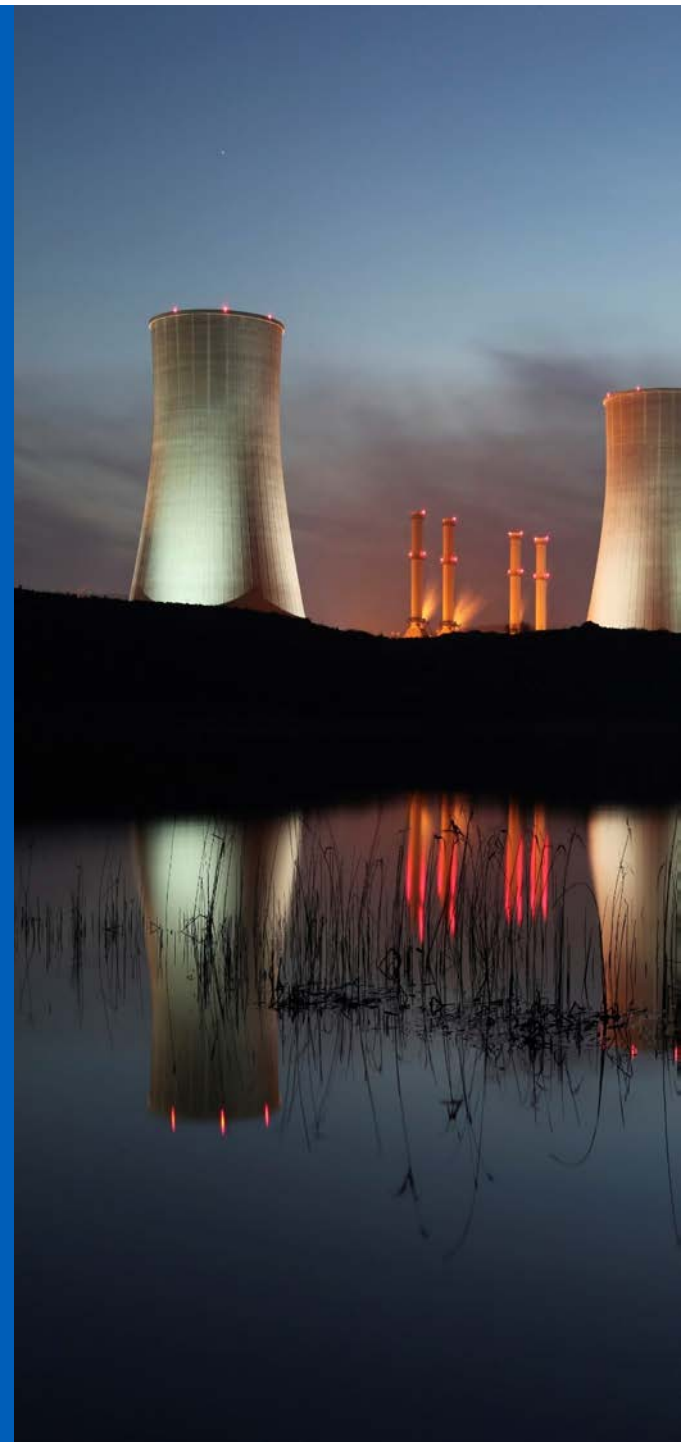


Table of contents

EXECUTIVE SUMMARY	1
MATERIALITY	6
AUDIT APPROACH	7
FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE	8
AUDIT RESPONSE TO COVID-19 PANDEMIC	9
NEW AUDIT STANDARDS	10
ADJUSTMENTS AND DIFFERENCES	11
APPENDICES	12
APPENDIX 1: REQUIRED COMMUNICATIONS	13
APPENDIX 2: AUDIT QUALITY AND RISK MANAGEMENT	14
APPENDIX 3: BACKGROUND AND PROFESSIONAL STANDARDS	15
APPENDIX 4: AUDIT TRENDS	16
APPENDIX 5: CURRENT DEVELOPMENTS	18



The contacts at KPMG in connection with this report are:

ROB CLAYTON
Lead Audit Engagement Partner
Tel: 613 212 3601
Mobile: 613 668 3122
RCLAYTON@kpmg.ca

KIRSTEN GILES
Audit Senior Manager
Tel: 613 212 3658
Mobile: 613 897 0030
KGILES@kpmg.ca

Executive summary



Purpose of this report

The purpose of this Audit Planning and Findings Report is to assist you, as a member of the Finance Committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2020.



Audit and business risks

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting.

See page 4



Audit materiality

Materiality has been determined based on current year total expenses. We have determined materiality to be \$110,000.

See Page 6

Executive summary



Finalizing the audit

As of February 17, 2021, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our final review procedures, including obtaining further support such as confirmation of bank balances, any outstanding requests from manager and partner review)
- Completing our discussions with those charged with governance
- Obtaining evidence of the Board's approval of the financial statements
- Management representations

We will update the Finance Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.



Independence and Quality Control

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services.

Executive summary



Current developments and Audit Trends

CAS 540 is applicable to the Association's December 31, 2020 year-end audit relating to accounting estimates. As such, KPMG was required to perform additional procedures over accounting estimates. Please refer to page 10 and Appendix 5 for relevant accounting and/or auditing changes relevant to our audit and current developments.



Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit risks

Professional requirements

Fraud risk from revenue recognition.

Why is it significant?

This is a presumed fraud risk.

Our audit approach

- This risk has been rebutted on the basis that the Association does not sell goods as its main line of business, that there are no expectations of financial performance from third parties and most revenues are verifiable from an audit perspective.



Audit risks

Professional requirements

Fraud risk from management override of controls

Why is it significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit

Our audit approach

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

Materiality

Materiality determination	Comments	amount
Benchmark	Based on current year total expenses, rounded to the nearest significant digit.	3,782,000
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	110,000
% of Benchmark	This is in accordance with auditing standards and our methodology for NPO's.	2.9%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit.	5,500

Materiality represents the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We will report to the Finance Committee:



Corrected audit misstatements



Uncorrected audit misstatements

Audit approach

Areas of Audit Focus

The following accounts have been identified in our risk-based audit approach and our audit work was focused on these items that represent the majority of assets, liabilities, revenues and expenses for the Association.

Significant account	Comments
Cash	<ul style="list-style-type: none">- Cash has a material balance and funds all operations.- KPMG performed substantive tests of details, including confirmation of balances.
Investments	<ul style="list-style-type: none">- Investments are significant and represent a significant portion of assets.- KPMG tested this significant account by obtaining confirmations of balances and performing substantive procedures
Accounts payable and accrued liabilities, government remittances payable	<ul style="list-style-type: none">- These accounts are material and there is an underlying risk that accounts payable balances are not complete and amounts owed are not included.- KPMG performed substantive tests of details, including examining supporting documents and verification of subsequent payment of bills
Accounts receivable, revenue and deferred revenue	<ul style="list-style-type: none">- Accounts receivable, deferred revenue and revenue all have material balances.- Performed substantive tests of detail by obtaining support for significant transactions, and analytical procedures including expectation testing.
Salaries and benefits expense	<ul style="list-style-type: none">- Salaries and benefits represent a significant portion of total expenses and the balance is material.- KPMG performed analytical procedures including performing expectation testing.- KPMG performed testing of payroll balances to validate the CEWS amounts recorded.
Non-salary expense testing	<ul style="list-style-type: none">- These include expenses such as conference and project and are material; KPMG performed substantive tests of details



Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Association's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements

Adequate

Audit response to COVID-19 pandemic

Our audit approach

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced contingency and subsequent events procedures are warranted.

Audit response:

- Management worked with the audit team to customize language for an Impact of COVID-19 note.
- An assessment for any financial indicators of financial implications was undertaken and documented by management and reviewed by the audit team.

Resources for Management and Audit and Resource Management Committee members

Please visit our COVID-19 website for resources. This site is being **updated daily** based on information being released by Federal, Provincial and Municipal news releases. <https://home.kpmg/ca/en/home/insights/2020/03/the-business-implications-of-coronavirus.html>

New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
<p>CAS 540, Auditing Accounting Estimates and Related Disclosures</p> <p>Effective for audits of Entities with year-ends on or after December 15, 2020</p>	<p>Expected impact on the audit:</p> <ul style="list-style-type: none"> — more emphasis on the need for exercising professional skepticism — more granular risk assessment to address each of the components in an estimate (method, data, assumptions) — more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions) — more focus on how we respond to levels of estimation uncertainty — more emphasis on auditing disclosures related to accounting estimates — more detailed written representations required from management <p>See Appendix 5 for more information on accounting estimates.</p>	<p>CPA Canada Client Briefing</p>

The relevant accounting estimates that we have identified for the Association's December 31, 2020 audit include, but are not limited to:

- amortization of capital assets;

For each relevant accounting estimate identified, KPMG will need to consult with management to determine how each relevant accounting estimate has been developed and will perform independent testing to assess the reasonableness of management's assumptions and data used in the development of the accounting estimate.

Adjustments and differences



Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements if applicable. For the period under audit, no adjustments were identified.

Uncorrected differences

We did not identify differences that remain uncorrected.

Appendices



Appendix 1: Required communications



Appendix 2: Audit Quality and Risk Management



Appendix 3: Background and professional standards



Appendix 4: Audit trends



Appendix 5: Current developments

Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:



Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements



Management representation letter

The management representation letter is attached.

Appendix 2: Audit Quality and Risk Management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards



Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Audit Trends

Our latest thinking on the issues that matter most to Audit Committees, Boards and Management.

Featured insight	Summary	Reference
2019 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
The business implications of coronavirus (COVID 19)	<p>Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.</p> <p>Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.</p> <p>KPMG Global IFRS Institute - COVID-19 financial reporting resource center</p>	<p>Learn more</p> <p>Learn more</p> <p>Learn more</p>
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital, and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever-increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Charities IT Modernization Project (CHAMP)	To reduce the administrative burden on charities, the Canada Revenue Agency (CRA) is modernizing its Information Technology (IT) systems to provide new digital service options. Click on the attached link to understand the digital services available as part of this initiative.	Link to report
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
Accelerate	Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Audit Committee agenda.	Link to report

Return to the Workplace	As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.	Link to report
Improved Annual Reporting by Not-for-Profit Organizations (CPA Canada)	Stakeholders expect NFPOs to demonstrate accountability and transparency. They take an interest in the administration of organizations receiving public funds, whether donor dollars, tax benefits or government funding, and are constantly asking questions about executive compensation, administrative costs, fundraising expenses, past successes and future prospects. Annual reports can be part of the organization's strategy to communicate with stakeholders on the use of public funds and build trust and community support. Discover how to enhance your reporting practices with the updated Improved Annual Reporting by Not-for-Profit Organizations guidance.	https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/not-for-profit-organizations/publications/annual-reporting-for-not-for-profit-organizations
Operating in the post-pandemic world: Resources for NFPs (CPA Canada)	As not-for-profits (NFPs) begin to resume operations, they will face unique challenges in the post-pandemic world. Learn more about some of the various challenges NFPs may face and the resources available to help them.	NFP guidance in the post-pandemic world
Not-for-profit forum 2021	Financial sustainability and new forms of disruption are influencing the future of NFPs. Build the skills you need to help your organization navigate complex change at Canada's premiere event for not-for-profit leaders.	https://www.cpacanada.ca/en/career-and-professional-development/conferences/2021/february/nfp-forum-2021

Appendix 5: Current developments

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes some of the regulatory, operational and governance developments impacting public sector, charitable and not-for-profit organizations. We provide this summary to inform our clients of changes that they may impact their organization, and the trends we see in the industry based on our discussions with the management and Board members of our clients.

We attach this summary to our audit plans and audit findings reports that we provide to the Finance, Audit and Risk Committees of our public sector, not-for-profit and charity clients. Some of these developments may not impact your organization directly but we believe it is important for management and Committee members of charities and not-for-profit organizations to understand what is happening in the broader public, not-for-profit and charity sector.

Annual Accounting, Tax and Risk Update for Not-for-Profit Organizations

KPMG is held its Annual Accounting, Tax & Risk Update for Not-for-Profit Organizations remotely on **November 5, 2020**. The seminar covers current accounting, tax, technology and risk issues, including some of those discussed below, in greater detail providing not-for-profit organizations and charities with guidance on new standards, regulations and best practices. This event consistently attracts over 100 executives, financial officers and Board members from the Ottawa and area not-for-profit and charity community.

Audit Committee members are also invited to virtually attend our November 5, 2020 session. If you wish to have your name included on the invite list going forward, please e-mail Vanessa Hundert at

Return to Work Assurance

Returning to the physical workplace is a complex yet integral part of Organizations' recovery from the pandemic. Various considerations around health and safety will need to be taken into account when developing any return to work (RTW) strategy. However, the changing implications of COVID-19 make it challenging for organizations to navigate this landscape on their own.

Organizations have established several processes to help ensure that employee's health and safety risks are clearly understood and effectively managed. However, are these processes complete and do they continue to adapt to the evolving state of the pandemic? In this environment, there are still many questions left unanswered, but here is what we do know:

- Leaders will play an active role in managing mental health
- The municipalities guidelines for reopening will differ from other municipalities
- There will be frequent changes in requirements
- Best practices will evolve over a year or more, not in a matter of weeks
- There will be regional disparity in approaches
- There will be outbreaks of COVID-19 in the workplace
- The 9 to 5 workday will be challenged
- Technology will contribute to the solution and will permanently alter the workplace but will need time to evolve.

Appendix 5: Current developments

KPMG has developed a comprehensive people-centric *RTW Playbook*, which takes into account 23 different elements that need to be considered in order to bring staff and relevant stakeholders back to work, safely. The framework starts with a COVID-19 task force, and ends with case response procedure. Each of the 23 elements in the RTW Playbook has several action items tagged, providing a basis for a comprehensive RTW management system.

In order to help organizations navigate through this rapidly changing landscape, KPMG has developed the **Return to Work (RTW) Management Systems Framework**.

KPMG's RTW Management Systems Framework and related assurance will increase the Government of Canada's level of confidence over the comprehensiveness of its RTW program, by alignment to industry leading practices. Ultimately our framework will focus on the following categories aligned to the RTW framework:

- Governance;
- Planning and program design;
- Workforce preparation;
- Implementation and operations; and,
- Monitoring, maintenance and improvement.

The RTW framework and assurance provides management and executives with the “playbook” to implement RTW and the framework to manage and monitor, with the level of dashboard reporting to allow for dynamic and agile management actions.

Our approach consists of performing a current state assessment, gap analysis and RTW implementation roadmap, in order to support the implementation of appropriate management activities, and ultimately monitor and track successes. Our approach also offers several tools, including the RTW Dashboard, which is used as a reporting tool to assess and track all or portions of the Government of Canada's return to work management system, and the KPMG Workforce Safeguard App. For more information on Return to Work Assurance, please contact your relevant KPMG professional.

Government Subsidy Programs

The Government of Canada offers various subsidy programs to Organizations that meet various criteria and characteristics. Various programs continue to receive frequent and further information on eligibility, extensions to programs, and restrictions. As your trusted advisors, we are here to help. Because every Organization is unique, our experienced professionals can assist you with establishing that the methodology you use to determine eligibility – which can often be subjective – is consistent with similar organizations in your sector and across Canada.

Canada Emergency Wage Subsidy:

Eligible employers for the CEWS include but are not limited to corporations (other than a public institution), individuals, agricultural organizations, certain aboriginal businesses, registered charities, Canadian amateur athletic organizations, chambers of commerce, boards of trade, labour organizations and certain non-profits.

The subsidy will now focus on active employees that are not on leave. A transitional form of prescribed subsidy will be available for employees that continue to be on leave in September forward.

In July 2020, the CEWS program was significantly changed. The following is a summary of the changes that may be applicable to your organization:

- Additional claim periods ending November 21, 2020 (9 four-week periods in total);

Appendix 5: Current developments

- Application deadline extended to January 31, 2021
- Many other new elections, changes to definitions and new options to maximize claims

With very frequent and potential significant changes and updates occurring relating to CEWS, please continue to communicate with your KPMG professional for real-time updates, and opportunities where we are able to help.

Temporary Wage Subsidy:

Organizations are eligible for the Temporary Wage Subsidy (TWS) who have a Canada Revenue Agency (CRA) payroll program account as of March 18, 2020, who paid remuneration to an eligible employee from March 18 – June 19, 2020, and who meet the business requirements per CRA. The subsidy correlates to 10% of the remuneration paid to an employee, up to a maximum amount.

With very frequent and potential significant changes and updates occurring relating to TWS, please continue to communicate with your KPMG professional for real-time updates, and opportunities where we are able to help.

Canada Emergency Response Benefit:

The Canada Emergency Response Benefit (CERB) gives financial support to employed and self-employed Canadians who are directly affected by COVID-19. Recent updates to the CERB consist of the extension from 4 months to 6 months, and the ability to repay amounts where the qualifications were not met. The CERB stopped on October 3, 2020.

Canada Emergency Business Account:

The Canada Emergency Business Account (CEBA) program provides interest-free loans of up to \$40,000 to eligible small businesses and not-for-profit organizations, with terms of repayment of the balance done prior to December 31, 2022, resulting in loan forgiveness of 25% of the original loan balance. Recent updates to the CEBA consist of significant expansion of eligibility criteria.

Conditions may be contained in loan agreements that risk lacking consistency of the criteria provided by the Government of Canada. Organizations should ensure that loan agreements have been reviewed closely. With very frequent and potential significant changes and updates occurring relating to CEBA, please continue to communicate with your KPMG professional for real-time updates, and opportunities where we are able to help.

Accounting Estimates:

The new auditing standard over accounting estimates is in effect for audits of Organizations with year-ends on or after December 15, 2020. As a result of the revised methodology for auditing estimates, audit engagement teams globally will apply one methodology when auditing accounting estimates, including fair value accounting estimates, and related disclosures. Canadian Auditing Standards define an accounting estimate as a monetary amount for which the measurement in accordance with the requirements of the applicable financial reporting framework, is subject to estimation uncertainty.

Accounting estimates vary widely across Organizations and are required to be made by management when the monetary amounts cannot be directly observed. The process of determining accounting estimates involves selecting and applying a method using assumptions and data, which requires judgment by management and can give rise to complexity in measurement. The effects of complexity, subjectivity or other inherent risk factors on the measurement of these monetary amounts affects their susceptibility to misstatement. Similar to the variation among different Organizations, the degree to which an accounting estimate is subject to estimation uncertainty will also vary significantly. Examples of accounting estimates consist of, but are not limited to:

Appendix 5: Current developments

- Inventory obsolescence;
- Amortization of property and equipment;
- Valuation of financial instruments;
- Outcome of pending litigation;
- Revenue recognized for long-term contracts;
- Impairment of long-lived assets or property of equipment held for disposal;
- Warranty obligations

Key concepts in this revised standard focus on assessment of risks, and the goal of your KPMG team is to obtain sufficient appropriate audit evidence about whether accounting estimates and related disclosures in the financial statements are reasonable in the context of the applicable financial reporting framework.

With the new accounting standards, organizations will be required to perform self-assessments of all applicable accounting estimates relevant to your Organization and support the determination and methodology of the calculation of all accounting estimates. In auditing accounting estimates, your KPMG team will work with management to complete the following:

- Understand the Organization and its environment, including internal controls over financial reporting;
- Understand the process, including understand the process by which each accounting estimate is developed, understand the nature and extent to which management uses the work of specialists of third parties (other than specialists), understand how management understandings and addresses estimation uncertainty, and understand the elements of an estimate

Based on the understanding we have obtain from management, we will determine the components of the accounting estimate, perform a retrospective review and assess risk. The revision to our methodology includes as well the following considerations:

- Identification and addressing any management bias;
- Consideration of additional risk factors when assessing whether an estimate gives rise to a risk of material misstatement;
- Determination of components of an estimate and consideration of their differing risks;
- Identification and linkage of risk considerations of the methods, assumptions and data;
- Identification of individual items that contribute ti risks individually, or in combination, and determination of our audit response for each applicable element;
- Performance of a retrospective review for all significant accounts and applicable disclosure for identification of a relevant assertion for an accounting estimate in the current year;
- Performance of an aggregate risk assessment

Appendix 5: Current developments

Cyber Security – Adapting to the ‘new normal’

COVID-19 has forced us to transform the way we work — projects which might have taken a year have been driven through in weeks. Pragmatism has become the rule, and organizations have likely taken security risks that they might never have accepted in other circumstances. The dust is still settling, but some major themes are emerging: we’re already seeing rapid expansions of digital commerce channels as consumer behaviours shift, in addition to dealing with a workforce that has grown accustomed to a flexible and remote work environment.

At the same time, cyber criminals have shown themselves ruthless and entrepreneurial in exploiting fear, uncertainty and doubt over COVID-19 — repurposing phishing and attack infrastructure to build out COVID-19 fake websites and scams. With a larger attack surface due to the increased use of online tools, opportunity for malicious activity is abundant.

Organizations need to demonstrate that they can protect the heart of the transformed business with an agility of thought and action that recognizes the pace and speed at which cyber criminals operate. These issues must be handled proactively and can no longer be an after-thought. Cyber security is now becoming the key business enabler.

Members of Audit Committees should be asking management fundamental questions such as:

- Are we doing enough to reduce our cyber risk to an acceptable level?
- Is our organization fully prepared to detect, respond and react to a cyber attack of any kind?
- As we shifted to remote interaction with employees and customers, have we done it securely without relaxing our security or increasing our exposure?

Lean: Approach

Our innovative audit approach, Lean in Audit™, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

Appendix 5: Current developments

How it Works

Lean in Audit employs three key Lean techniques:

- Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity;
- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness;
- Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit

Current Environment Adaptation

In the current environment, Organizations are working entirely remotely and we have tailored our methodology on the delivery and facilitation of interactive workshops to accommodate for current in-person restrictions. We are happy to inform our clients that we offer Lean in Audit workshops facilitated remotely, through the use of Microsoft Teams or Skype for Business. In facilitating workshops remotely, we are able to obtain the same high quality level of process information, and document the process live with the help of your teams.

Please reach out to your KPMG professional on more information on remote-workshops and to schedule workshops for your audit processes.

Audit response to COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced contingency and subsequent events procedures are warranted.

Audit response:

- Management will be required with the audit team to customize language for an Impact of COVID-19 note.
- An assessment for any financial indicators of financial implications was undertaken and documented by management and reviewed by the audit team.
- An additional required note to the financial statements will be included for all year-ends that occurred subsequent to the start of the pandemic per our Canadian Auditing Standards. An example of the financial statement note is as follows:

X. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the [Organization] implemented the following actions in relation to COVID-19:

- *[management's documentation of relevant impacts]*

As a result of these actions, the [Organization] experienced decreases in recognition of [applicable revenues] and related costs during the year and subsequent to year end.

(a) Subsequent events related to COVID-19:

Appendix 5: Current developments

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report that provide additional evidence relating to conditions that existed as at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements.

(b) Impact of COVID-19 on financial risks:

The ultimate duration and magnitude of COVID-19's impact on the [Organization]'s operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the [Organization] is not practicable at this time.

Please visit our COVID-19 website for resources. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases.



kpmg.ca/audit



KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International").

KPMG member firms around the world have 174,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

© 2021 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

