# CreateTO

Audit Findings Report
for the year ended
December 31, 2020

KPMG LLP

Licensed Public Accountants

April 2, 2021

kpmg.ca/audit

KPMG

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# KPMG contacts

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### Our refreshed Values

**What we believe**

**Integrity**
We do what is right.

**Excellence**
We never stop learning and improving.

**Courage**
We think and act boldly.

**Together**
We respect each other and draw strength from our differences.

**For Better**
We do what matters.

# How do we deliver audit quality?

Transparency report

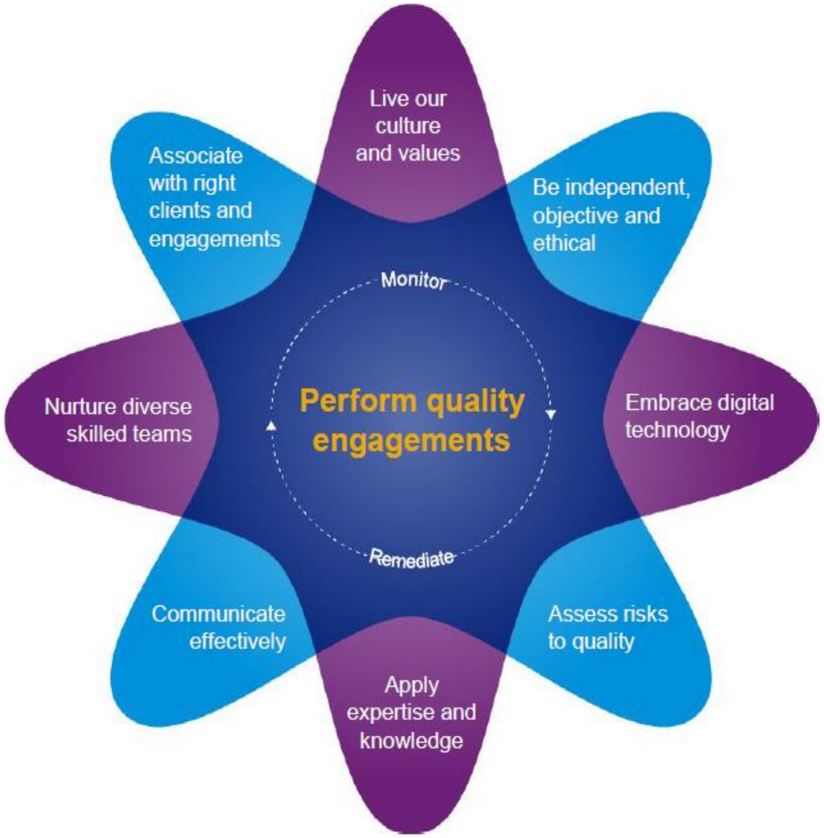
**Quality** essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

'**Perform quality engagements**' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define '**audit quality**' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity.**




**Doing the right thing. Always.**

# Executive summary

## Purpose of this report[1]

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

### What's new in 2020

We have tailored our audit approach as a direct result of the COVID-19 pandemic.

See pages 5 to 6.

### Finalizing the audit

As of April 23, 2021, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Board of Directors
- Obtaining evidence of the Board's approval of the financial statements
- Receipt of the signed management representation letter (dated upon Board approval of the financial statements)
- Completion of the subsequent events procedures, up to the date of approval of the financial statements

We will update the Board of Directors, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

### Audit materiality

Materiality has been determined based on total revenue. We have determined the materiality to be $345,000 (2019 - $350,000). *See page 7.*

### Uncorrected differences

We did not identify any audit differences.

### Significant accounting policies and practices

There have been no changes to significant accounting policies and practices to bring to your attention.

### Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Entity's relevant financial reporting framework of Canadian Public Sector Accounting Standards.

[1] This Audit Findings Report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. 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.

# What's new in 2020

**COVID-19 pandemic**

We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

| Area of Impact | Key Observations |
|---|---|
| **Company's financial reporting impacts** | — We considered impacts to financial reporting due to COVID 19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements.<br>— There were no areas of the financial statements that were significantly affected due to the Covid-19 pandemic. |
| **Materiality** | — We considered impacts to financial reporting on both the determination and the re-assessment of materiality for the audit of the financial statements.<br>— Materiality has decreased from the prior year as determined by the predecessor auditor and reflects the impact of a lower materiality percentage being applied to the benchmark. This had a direct impact on our identification and assessment of risks of material misstatement and our response to such risks. Materiality is discussed in further details on page |
| **Risk Assessment** | — We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).<br>— We did not identify any additional risks od material misstatements as a result of impacts to financial reporting that required an audit response. |
| **Working remotely** | — We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.<br>— We used secure and innovative technologies to conduct walkthroughs and perform inquiries<br>— We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence. |

| **COVID-19 pandemic**<br>We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting. | |
|---|---|
| **Area of Impact** | **Key Observations** |
| **Direction and Supervision of the audit** | — The manager, senior manager and partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Company's financial reporting.<br>— Managers and partners implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points. |
| **First time audit** | — We conducted our review of the predecessor auditor's working papers remotely to ensure a thorough understanding of the approach used for prior year audit. |

# Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, and evaluate 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.

| Materiality determination | Comments | Amount |
|---|---|---|
| **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.<br><br>The corresponding amount for the prior year's audit was $350,000. | $345,000 |
| **Benchmark** | Based on actual expenses for the current year. | $13,800,000 |
| **% of Benchmark** | The corresponding percentage for the prior year's audit was approximately 3 %. | 2.5% |
| **Performance materiality** | Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures.<br><br>The corresponding amount for the previous year's audit was $315,000. | $258,000 |
| **Audit Misstatement Posting Threshold (AMPT)** | Threshold used to accumulate misstatements identified during the audit.<br><br>The corresponding amount for the previous year's audit was $35,000 | $17,200 |

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**We will report to the Board of Directors:**

- Corrected audit misstatements
- Uncorrected audit misstatements

# Audit risks and results

We highlight our significant findings in respect of **significant financial reporting risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant financial reporting risks identified.

## Area of focus

Risk of material misstatement due to fraud resulting from fraudulent revenue recognition

Risk of material misstatement due to fraud resulting from management override of controls

## Our response

- Fraud risk from revenue recognition has been rebutted. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition. Our audit methodology incorporates the required procedures in professional standards to address and rebut this risk. These procedures include substantive revenue testing, testing of relevant journal entries and other adjustments and evaluating the business rationale of significant unusual transactions.

- As this presumed risk of material misstatement due to fraud resulting from management override of controls 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.

## Significant findings

- We did not note any significant control deficiencies in our evaluation of the design and implementation and test operating effectiveness of selected relevant controls over financial reporting.
- We tested manual and automated journal entries and other adjustments by using Data & Analytics routines. Using extractions from the complete general ledger, we selected a sample of journal entries meeting pre-determined high-risk criteria and verified if they were supported by proper documentation and appropriately recorded in the general ledger. We also followed the journal entry initiation and approval controls and process in place.
- We did not identify any issues or concerns after performing our review of estimates.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

# Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

**Area of focus**

Management Fee Revenue and City Funding Revenue

**Our response**

- Our procedures included:
  - Obtained understanding over the revenue recognition policy and controls in place
  - Reviewing the underlying service agreement between CreateTO, Build Toronto and TPLC
  - Obtaining confirmations from the City of Toronto to verify the total funds received as City funding as well as obtaining confirmations for management fee cross charges recorded by Build Toronto and TPLC

**Significant findings**

- Based on the procedures performed, there were no significant matters to report.

# Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

| Area of focus | Estimate? |
|---|---|
| Accounts payable and operating expenses | No |
| Legal Claim Liability | Yes. Management performs their best estimate on the outcome of active legal claims based on present information. KPMG reviewed all legal invoices and obtained direct confirmation from legal counsel to ensure the current estimate is reasonable. The estimation uncertainty related to liability from legal claims does not result in a risk of material misstatement. |

## Our response

- Our procedures for accounts payable and operating expenses included:
  - We performed a search for unrecorded liabilities by extracting lists of subsequent payments and accounts payable details and selected samples for testing.
  - Select a sample of expense transactions and agree to original invoices to ensure the proper classification of expenses.
  - Review supporting documentation for significant accruals.

- Our procedures for legal claim liability included:
  - review of Board and Committee meeting minutes.
  - discussions with management and review of legal invoices.
  - direct confirmation with legal counsel.
  - evaluation of whether significant contingent liabilities are appropriately disclosed and/or recorded.

## Significant findings

- Based on the procedures performed, there were no significant matters to report.

# Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation differences and adjustments.

Professional standards require that we request of management that all identified differences be corrected. We have already made this request of management.

## Uncorrected differences

We did not identify differences that remain uncorrected.

## Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

# Appendices

## Content



# Appendix 1: Other Required Communications

| Report | Engagement terms |
|---|---|
| The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements. | A copy of the engagement letter has been provided to Management. |
| **Reports to the Board of Directors** | **Representations of management** |
| This report. | A copy of the management representation letter is provided to management for signing. See Appendix 5 for a draft of the management representation letter. |
| **Audit Quality in Canada** | **Control deficiencies** |
| The reports available through the following links were published by the Canadian Public Accountability Board to inform Board of Directors and other stakeholders about the results of quality inspections conducted over the past year:<br>• CPAB Audit Quality Insights Report: 2020 Interim Inspection Results<br>• CPAB Audit Quality Insights Report: 2019 Annual Inspections Results<br>Visit our **Audit Quality Resources page** for more information including access to our **Transparency report** | No significant control deficiencies were identified during the audit. |

# Appendix 2: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

| Technology | Areas of the audit where Advance Technology routines were used | Insights |
|---|---|---|
| **Journal Entry Analysis** | We evaluated the completeness of the journal entry population through a roll-forward of the entire GL.<br><br>We used KPMG application software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.<br><br>The GL roll consists of a summation of all automated and manual journal entries posted during the fiscal year and a comparison of the calculated amounts to the account balances as at and for the year ended December 31, 2020 as reported by management.<br><br>The GL extraction was found to be complete and containing all automated and manual journal entries recorded during the year. We were able to use this complete extraction for our testing of high-risk journal entries.<br><br>We developed a set of high-risk criteria and applied the criteria to the entire population of journal entries. Journal entries containing high risk conditions were tested to ensure they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place. We did not find any exceptions in our testing over journal entries. | No issues were identified. |
| **KPMG Clara Client Collaboration Portal** | We used the KPMG Clara Client Collaboration (KCCC) Portal for our PBC request management. This tool allowed our team to communicate requests with management in a timely and organized manner.<br><br>Furthermore, this tool is used to help both our team as well as management stay organized with requests that are made and facilitates two-way communication via the use of “comments” that can be attached to each request. | This tool allowed for the audit to progress in a timely fashion in the virtual environment. |

# Appendix 3: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

| Featured insight | Summary | Reference |
|---|---|---|
| **Audit & Assurance Insights** | Curated thought leadership, research and insights from subject matter experts across KPMG in Canada. | **Learn more** |
| **The business implications of coronavirus (COVID 19)** | 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. | **Learn more** |
| | Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes. | **Learn more** |
| **Accelerate 2020** | Perspective on the key issues driving the audit committee agenda. | **Learn more** |
| **Momentum** | A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit. | **Sign-up now** |
| **Board Leadership Centre** | Leading insights to help board members maximize boardroom opportunities. | **Learn more** |

# Appendix 4: Current Developments

## Public Sector Accounting Standards

| Standard | Summary and implications |
|---|---|
| Asset Retirement Obligations | – The new standard is effective for fiscal years beginning on or after April 1, 2022 (the Company's December 31, 2023 year end). The effective date was deferred by one year due to COVID-19.<br>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.<br>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |
| Revenue | – The new standard is effective for fiscal years beginning on or after April 1, 2023 (the Company's December 31, 2024 year end). The effective date was deferred by one year due to COVID-19.<br>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.<br>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.<br>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |

| Standard | Summary and implications |
| --- | --- |
| Employee Future Benefit Obligations | – PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan.<br>– PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard.<br>– Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |
| Public Private Partnerships ("P3") | – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB in the process of reviewing feedback provided by stakeholders on the exposure draft.<br>– The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.<br>– The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.<br>– The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.<br>– The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023 (the Company's December 31, 2024 year end).<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |

| Standard | Summary and implications |
| --- | --- |
| Financial Instruments and Foreign Currency Translation | – The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.<br>– Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.<br>– Hedge accounting is not permitted.<br>– A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.<br>– In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period.<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |

| Standard | Summary and implications |
| --- | --- |
| Concepts Underlying Financial Performance | – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.<br>– PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021.<br>– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.<br>– In addition, PSAB is proposing:<br>• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.<br>• Separating liabilities into financial liabilities and non-financial liabilities.<br>• Restructuring the statement of financial position to present non-financial assets before liabilities.<br>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).<br>• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. |

| Standard | Summary and implications |
| --- | --- |
| International Strategy | – PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021.<br>– An exposure draft to modify the GAAP hierarchy has been issued with responses due by February 15, 2021. |
| Purchased Intangibles | – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.<br>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.<br>– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.<br>– **Management does not believe the adoption of this standard will have a material impact to its financial statements.** |
| Government Not-for-Profit Strategy | – PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs and concerns.<br>– PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. Comments on the second consultation paper are due in May 2021. |

# Appendix 5: Draft Management Representation Letter

As attached below.

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada

May 11th, 2021

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the  financial statements (hereinafter referred to as “financial statements”) of CreateTO (“the Entity”) as at and for the period ended December 31, 2020.

*General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

*Responsibilities:*

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter September 23, 2020, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

*Internal control over financial reporting:*

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

*Fraud & non-compliance with laws and regulations:*

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

*Related parties:*

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Estimates:*

8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

*Going concern:*

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

*Non-SEC registrants or non-reporting issuers:*

11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

12) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

____________________________________

Steven Trumper, Interim Chief Executive Officer

____________________________________

Jaspreet Hansra-Kulasingam, Chief Financial Officer

## *Attachment I – Definitions*

*Materiality*

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity’s own circumstances.

*Fraud & error*

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.


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