

Opportunity Calgary Investment Fund Ltd. Report to the Audit Committee

For the Period Ending December 31, 2018

For presentation at the Board of Directors meeting March 7, 2019



March 7, 2019

Members of the Audit Committee of Opportunity Calgary Investment Fund Ltd.

Dear Members:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Opportunity Calgary Investment Fund Ltd. (the "Company") as at December 31, 2018 and for the period then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit Committee.

We have completed our audit of the financial statements of the Company which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the shareholders of the Company. A draft copy of our proposed Independent Auditors' Report is attached at the end of this report.

This report is intended solely for the information and use of the Audit Committee and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Yours truly,

A handwritten signature in dark ink that reads "MNP LLP".

Chartered Professional Accountants

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INTRODUCTION

As auditors, we report to the members on the results of our examination of the financial statements of Opportunity Calgary Investment Fund Ltd. (the "Company") as at and for the period ended December 31, 2018. The purpose of this Audit Findings Report is to assist you, as members of the Audit Committee, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Company and are prepared to sign our Auditors' Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Audit Committee;
- The Board of Directors' review and approval of the financial statements.

We expect to have the above procedures completed and to release our Audit Report on March 7, 2019. Our draft report, which will provide an unqualified opinion, is attached at the end of this report.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for your Company:

- Deferred Contributions and Revenue Recognition;
- Expenses; and
- Financial Statement Disclosures.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Company, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$13,300 for December 31, 2018. Our threshold for differences reported to the Audit Committee was \$665 (5% of final materiality).

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Audit Committee on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

The following significant matters arose in connection with related parties of the Company during the course of our audit:

- Incremental costs incurred by Calgary Economic Development on behalf of the Company for purposes of managing it. Refer to Appendix B.

GOING CONCERN

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the financial statements.

AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian Public Sector Accounting Standards for Not-for-Profit Organizations allows and requires the Company to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Company's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Company are appropriate and have been consistently applied.

Accounting Estimates

Provision for legal contingencies

- No provision deemed necessary.

Financial Statement Disclosures

The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Company.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

No significant differences were proposed to management with respect to the December 31, 2018 financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the shareholders.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

This letter, provided by management, has been included as additional material to this report.

AUDITOR INDEPENDENCE

We confirm to the Audit Committee that we are independent of the Company. Our letter to the Audit Committee discussing our independence is included as part of the additional materials attached to this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material period end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Company and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

APPENDIX B – Areas of Audit Emphasis

Deferred Contributions and Revenue Recognition

The Company received contributed funds from the City of Calgary in the amount of \$811,000, which was deferred upon receipt. Revenue recognized in the period was \$445,048, which was equal to the amount of direct costs incurred to administer the Fund Reserve.

- MNP compared the total amount received to the bank deposit to ensure it was accurately recorded.
- MNP obtained supporting documentation of a sample of eligible expenditures and agreed them to invoices and analysed whether the amounts support recognition of revenue based on restrictions of the Operating and Funding Agreement dated May 11, 2018.
- MNP analysed the terms of Clause 6.6 *Surplus* and concluded the presentation of the surplus funds as deferred contributions is reasonably stated as at December 31, 2018.
- MNP analysed the Company's revenue recognition policy and determined that revenue is reasonably stated for the period ended December 31, 2018.

We have concluded that deferred contributions and revenue are reasonably stated for the period ended December 31, 2018.

Expenses

The Company incurred \$445,048 in direct costs to administer the Fund Reserve.

- MNP examined legal correspondence files and analyzed legal expenses for indications of pending, threatened or actual litigation. MNP also selected a sample of legal transactions from the general ledger and compared those to source documents to determine if the expense was accurately recorded as per its nature, amount and period.
- MNP selected a sample of expense transactions from the general ledger and compared those to source documents to determine if the expense was accurately recorded as per its nature, amount and period.
- MNP performed a proof in total to evaluate whether the salary allocations were accurate, and reviewed the employee contracts to determine if the allocations were appropriate and in accordance with the Master Services Agreement between the Company and Calgary Economic Development.

We have concluded that expenses are reasonably stated for the period ended December 31, 2018.

Financial Statement Disclosures

This is the Company's first year of operations and therefore no comparative figures are presented.

- MNP analysed the financial statements and note disclosure of the Company to ensure the accounting policies, statement of financial position, statement of operations and net assets, and the statement of cash flows communicate information that is useful to users of the financial statements and is in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.
- MNP analysed the Operating and Funding Agreement between the Company and the City of Calgary in relation to the incorporating and nature of the organization and ensured that the note described the Company's purpose, its intended community service, its status under income tax legislation and its legal form.

APPENDIX B – Areas of Audit Emphasis (continued from previous page)

Financial Statement Disclosures (continued from previous page)

- MNP analysed the Master Services Agreement between the Company and Calgary Economic Development Ltd. ("CED") and compared it to the note to the financial statements to ensure the note included a description of the relationship, a description of the transactions and amounts of the transactions, the measurement basis used for recognizing the transaction, the terms for the amounts due to CED and the contractual obligations entered into.

We have concluded that the financial statements and its related disclosures include all appropriate information to ensure that the statements are presented fairly in accordance Canadian Public Sector Accounting Standards for Not-for-Profit Organizations for the period ended December 31, 2018.