



**Alberta Liquor Store Association  
Report to the Board of Directors**

*For the Year Ending December 31, 2016*

For presentation at the Board of Director's review and approval meeting June 7, 2017

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May 12, 2017

Members of the Board of Directors  
Alberta Liquor Store Association

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Alberta Liquor Store Association (the "Association") as at December 31, 2016 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

## THE AUDIT

Our responsibility, as auditor of the Association, is to report to the members on the fair presentation of the December 31, 2016 financial statements, in accordance with Canadian accounting standards for not-for-profit organizations. To properly discharge this responsibility, we designed our audit process to assess the risk of material misstatement within the statements by examining and assessing the effectiveness of the Association's controls and accounting systems, and the evidence supporting the amounts and disclosures in the statements, including the appropriateness of accounting principles and significant estimates made by management.

We have considered the Association's internal controls as part of the financial statement audit. This included obtaining an understanding of the internal controls (regardless of whether we intended to rely on them for the purpose of our audit); evaluating the design of these controls; and determining whether they have been implemented. This understanding was sufficient to allow us to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

Our audit procedures, consisting of separate examination of each material year-end balance, key transaction, and other event considered significant to the financial statements, were concentrated in areas where risks were identified, and therefore, differences were most likely to arise.

Management has provided us with written representations, acknowledging, among other things, their responsibility for the implementation and maintenance of appropriate reporting systems and controls, including those designed to detect and prevent fraud, and to ensure the appropriateness of the amounts recorded in the accounting records, and the amounts and disclosures in the financial statements.

## AUDITOR INDEPENDENCE

We confirm to the Board of Directors that we are independent of the Association. Our letter to the Board of Directors discussing our independence is attached to this report.

## AUDIT RESULTS

We have satisfactorily completed our audit and are prepared to sign our Auditors' Report after the Board of Directors' review and approval of the financial statements. A substantive approach was used in auditing the Association's financial statements; thus, the Association's controls were not relied upon.

**Final materiality calculated and used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$15,000.**

The Auditors' Report will provide an unqualified opinion to the members. Key matters noted during our audit are summarized in the table below.

Subjects	December 31, 2016
<ul style="list-style-type: none"> <li>Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern</li> </ul>	None
<ul style="list-style-type: none"> <li>Illegal or fraudulent acts</li> </ul>	None noted
<ul style="list-style-type: none"> <li>Non-compliance with laws and regulations</li> </ul>	None
<ul style="list-style-type: none"> <li>Fraud by employees/management with key roles in control activities</li> </ul>	None noted
<ul style="list-style-type: none"> <li>Differences that may: <ul style="list-style-type: none"> <li>Have a material effect on comparative information and the current period financial statements</li> <li>Cause future statements to be materially misstated</li> <li>Indicate significant deficiencies in controls</li> </ul> </li> </ul>	None  None None
<ul style="list-style-type: none"> <li>Irregularities having a material financial statement effect</li> </ul>	None
<ul style="list-style-type: none"> <li>Limitations placed on the scope of our audit</li> </ul>	None
<ul style="list-style-type: none"> <li>Significant transactions not in the ordinary course of business, or other unusual related party transactions</li> </ul>	None to note
<ul style="list-style-type: none"> <li>Unusual significant transactions given the entity and its environment</li> </ul>	None
<ul style="list-style-type: none"> <li>Non-monetary transactions</li> </ul>	None to note
<ul style="list-style-type: none"> <li>Transactions that increase risk</li> </ul>	None
<ul style="list-style-type: none"> <li>Concerns with management breach of corporate conduct</li> </ul>	None
<ul style="list-style-type: none"> <li>Conflicts of interest</li> </ul>	None
<ul style="list-style-type: none"> <li>Disagreements with management</li> </ul>	None
<ul style="list-style-type: none"> <li>Emphasis of matter or other matter paragraph included in the Auditors' Report</li> </ul>	Prior year audit performed by another auditor
<ul style="list-style-type: none"> <li>Matters influencing audit appointment</li> </ul>	None
<ul style="list-style-type: none"> <li>Difficulties encountered during the audit</li> </ul>	None
<ul style="list-style-type: none"> <li>Disagreements with management's accounting estimates</li> </ul>	None

Subjects	December 31, 2016
<ul style="list-style-type: none"> <li>Disagreements with management's adoption of accounting policies or emphasis on the need for a particular accounting treatment</li> </ul>	None
<ul style="list-style-type: none"> <li>Significant deficiencies in the entity's risk assessment process within the design and/or implementation of controls</li> </ul>	None
<ul style="list-style-type: none"> <li>Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks</li> </ul>	None
<ul style="list-style-type: none"> <li>Matters giving rise to questions regarding the honesty and integrity of management</li> </ul>	None

All significant management estimates were reviewed and no material differences were noted. The methodologies and processes used by management were consistent with prior periods. We have issued a letter to management containing our comments with respect to accounting matters and enhancement of controls.

Differences identified during our audit were discussed with management. The cumulative net effect of all unadjusted differences has not resulted in material misstatement, and therefore does not affect our Independent Audit Report. A summary of significant differences has been included as Appendix A to this report.

We would like to take this opportunity to formally acknowledge the excellent cooperation and assistance we received from the management and staff of the Association.

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 respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

*MNP LLP*

**Chartered Professional Accountants**

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## APPENDIX A – Summary of Significant Differences

<b>SIGNIFICANT ADJUSTED DIFFERENCES</b>			
<b>Differences Noted</b>	<b>Financial Statement Items Affected</b>	<b>Adjustment to Statement of Financial Position</b>	<b>Adjustment to Excess of Revenues over Expenses</b>
Zoning bylaw legal expenses for work performed in 2016 year were not recorded.	Understatement of expenses and understatement of accounts payable	(12,291)	(12,291)
Revenue relating to the reimbursement of the zoning bylaw relating to the 2016 fiscal year but not recorded.	Understatement of revenue and understatement of accounts receivable	12,291	12,291
<b>Total Adjusted Differences (Income Effect)</b>			-

<b>SIGNIFICANT UNADJUSTED DIFFERENCES</b>			
<b>Differences Noted</b>	<b>Financial Statement Items Affected</b>	<b>Adjustment to Statement of Financial Position</b>	<b>Adjustment to Excess of Revenues over Expenses</b>
One amount in the A/R listing was greater than 90 days old and may be uncollectible.	Accounts receivable overstated and bad debt expense understated.	(788)	(788)
<b>Total Unadjusted Differences (Income Effect)</b>			(788)

Canadian generally accepted auditing standards require that we request of management and the Board of Directors that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the financial statements.

We concur with management's representation that the unadjusted differences are not material to the financial statements and, accordingly, these unadjusted differences have no effect on our auditor's report.

## Independence Communication

May 12, 2017

The Board of Directors  
Alberta Liquor Store Association  
2707 Ellwood Drive SW  
Edmonton, AB T6X 0P7

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of Alberta Liquor Store Association (the "Association") as at December 31, 2016 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Association and its related entities or persons in financial reporting oversight roles at the Association and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Association and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2016 to May 12, 2017.

We hereby confirm that MNP is independent with respect to the Association within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of May 12, 2017.

This report is intended solely for the use of the Board of Directors, management and others within the Association and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**Chartered Professional Accountants**

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