

REPORT TO THE BOARD OF DIRECTORS

OF

ART GALLERY OF NORTHUMBERLAND

For the year ended December 31, 2019

Prepared by:
Michael McMurray, CPA, CA, LPA
Partner

AUDIT STATUS

Our audit of the financial statements of Art Gallery of Northumberland for the year ended December 31, 2019 is substantially complete and we expect to release our auditor's report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Board approval of the draft financial statements
- Final subsequent review up to date of approval of the financial statements

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2019 fiscal year.

MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Executive Director has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

MISSTATEMENTS

The corrected misstatements identified during our audit are included in Appendix B. Management made all the corrections we proposed and as a result there are no unadjusted errors to report to you.

Canadian generally accepted auditing standards require that we request that you take action to correct the misstatements identified. As a result, we would ask that you have management make the necessary adjustments. If you choose not to have the misstatements corrected we request that you inform us of your reasons for not doing so.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Board of Directors.

INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Art Gallery of Northumberland and us that, in our professional judgment, may reasonably be thought to bear on our independence.

No matters have been identified that would reasonably be thought to bear on our independence. As a result, we confirm that we are independent.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The Corporation's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the Corporation's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

ART GALLERY OF NORTHUMBERLAND

Victoria Hall, West Wing, Third Floor
55 King Street West
Cobourg, ON
K9A 2M2

Date

Welch LLP
525 Dundas Street East
Belleville, ON
K8N 1G4

Dear Sir/Madam:

We are providing this letter in connection with your audit of the financial statements of Art Gallery of Northumberland for the year ended December 31, 2019, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 28, 2019, for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Accounts Receivable

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months.
2. All goods shipped or services rendered prior to the year-end have been recorded as sales of that period except for goods shipped on consignment, on approval or subject to repurchase agreements.

3. Accounts receivable do not include any amount with respect to goods on consignment to others.
4. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.
5. Adequate allowance has been made for any losses from uncollectible accounts, costs or expenses that may be incurred with respect to sales made or services rendered prior to the year-end, including allowance for quantity discounts and expenses under service or repair contracts.
6. No abnormal returns have been received since the year-end or are expected to be received, in respect of merchandise shipped prior to the close of business on that date.

Temporary and Portfolio Investments

1. All investments that are owned by the Gallery are recorded in the accounts.
2. The Gallery has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. All income earned on the investments for the year has been recorded in the accounts.
4. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the Gallery are included and fairly stated on the balance sheet.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The Gallery has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the Gallery had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the Gallery.
5. All claims outstanding against the Gallery or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.

6. We understand that any illegal or possibly illegal act could damage the Gallery or its reputation or give rise to a claim or claims against the Gallery. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Equity

The Gallery has properly recorded or disclosed in the financial statements the share/capital stock repurchase options and agreements, and shares/capital stock reserved for options, warrants, conversions and other requirements.

Statement of Operation

1. All of the revenue of the Gallery for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operation contains no extraordinary or non-recurring items of material amount except as shown thereon.

Corporate Minutes

The minute books of the Gallery contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Related Party Transactions

There have been no exchanges of goods or services with any related parties during the year that require disclosure in the financial statements.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The Gallery has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
4. The Gallery has appropriately disclosed any material non-monetary transactions or transactions for no consideration for the financial reporting period under consideration.

Going Concern

We confirm that we have assessed the Gallery's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the Gallery, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
6. In the course of your audit of our financial statements for the year ended December 31, 2019, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our Gallery.

Events Subsequent to the Year-end

No facts have been discovered which necessitate material adjustment to the year-end figures or disclosure in the notes to the financial statements.

Yours very truly,

ART GALLERY OF NORTHUMBERLAND

Per _____

Art Gallery of Northumberland

Year End: December 31, 2019

Adjustments

Rev. 10/10/01

Date: 01-01-19 To 12-31-19

Number	Date	Name	Account No	Reference	Ann.	Debit	Credit	Recurrence
1	12-31-19	Accrued Liabilities	2005 UNRESTRICTED				1,500.00	
1	12-31-19	Professional Fees	5320 UNRESTRICTED			1,500.00		
To adjust audit accrual.								
2	12-31-19	OAF AEF Change in market value	1852 EF OE	I1		7,978.00		
2	12-31-19	Unrealized gain/loss on OAF AEF	6500 EF OE	I1			9,581.00	
2	12-31-19	Administration and management investment fees	5100 EF OE	I1		1,603.00		
To record transactions in OAF endowment fund.								
3	12-31-19	Accrued Liabilities	2005 UNRESTRICTED	BB2			1,413.92	
3	12-31-19	Salaries	5005 UNRESTRICTED	BB2		1,413.92		
To record accrued wages.								
4	12-31-19	Gifts in Kind - Tax-receipted	4220 UNRESTRICTED	PL6			6,400.00	
4	12-31-19	Furniture and Equipment	5120 UNRESTRICTED	PL6		6,400.00		
To record tax receipted gift-in-kind.								
						18,894.92	18,894.92	
Net Income (Loss)			28,202.32					

Prepared by	Reviewed by	Partner review	2nd partner
DZ 02-11-20		MM 02-25-20	MJN 02-26-20