



STERNAT + ASSOCIATES
Chartered Professional Accountants

September 16, 2019

Hearthstone Community Group Inc.
209 Superior Ave
Selkirk, Manitoba
R1A 0Z7

Dear Lori Zdebiak

This letter confirms the terms of my engagement to perform an audit to enable me to issue an opinion as to your compliance with The Public Sector Compensation Disclosure Act and the Schedule of Public Sector Compensation Payments of \$75,000 or more for Hearthstone Community Group Inc.

Our objectives and responsibilities

My responsibility is to determine compliance with the criteria established by The Public Sector Compensation Disclosure Act.

My function as the auditor is to report to the board of directors of Hearthstone Community Group Inc. whether the organization complied with the criteria established by The Public Sector Compensation Disclosure Act. To meet this objective, and in accordance with Canadian generally accepted auditing standards, my audit will include an examination of certain aspects of the accounting system and related data. My assessment of the reliability of the accounting system and related data will affect the extent of my audit work.

I will plan and perform the audit to obtain reasonable assurance whether the organization complied with the criteria established by the provisions of the agreement referred to above. Absolute assurance is not possible, due to the inherent limitations of internal control and audit testing procedures, the persuasive (rather than conclusive) nature of audit evidence, and the nature of fraud, which may include attempts at concealment through collusion and forgery. Thus, my engagement should not be relied upon to detect all errors, fraud, or illegal acts that may have taken place.

When a properly designed accounting system is used correctly, some reliance can be placed on the system of internal controls to prevent or detect irregularities. However, my audit procedures will not be sufficient to enable me to provide an opinion on the effectiveness of internal controls over financial reporting.

Unless unanticipated difficulties are encountered, our report will be substantially in the following form:

Independent Auditor's Report

To the Board of Directors of Hearthstone Community Group Inc.

I have audited Hearthstone Community Group Inc.'s compliance as at and for the year ended March 31, 2019 with

the criteria established by The Public Sector Compensation Disclosure Act and the Schedule of Public Sector Compensation Payments of \$50,000 or more. Compliance with the criteria established by the provisions of the agreement is the responsibility of the organization's management. My responsibility is to express an opinion on the organization's compliance based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether Hearthstone Community Group Inc. complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

During the course of my audit, I did not notice any instance of non-compliance.

In my opinion, Hearthstone Community Group Inc. is in compliance, in all material respects with the criteria established by The Public Sector Compensation Disclosure Act and the Schedule of Public Sector Compensation Payments of \$50,000 or more.

Date

Sternat & Associates
Chartered Professional Accountants Inc.

I will advise the board of directors in writing of the relationships between myself and the organization (including related entities) that, in my professional judgement, may reasonably be thought to bear on my independence. Further, I will confirm my independence with respect to the organization.

Management's responsibilities

Management is responsible for:

Financial statements

- a) The preparation and fair presentation of the organization's general purpose financial statements in accordance with Canadian accounting standards for not-for-profit organizations (the audit of such general purpose financial statements is not included in this engagement).

Completeness of information

- b) Providing me with and making available complete general purpose financial statements, financial records, and related data, and copies of all minutes of meetings of members and directors. (In order to complete the audit, I will require the timely availability of various documents and schedules.)
- c) Providing me with information relating to any known or probable instances of non-compliance with The Public Sector Compensation Disclosure Act.

Fraud and error

- d) The design and implementation of internal controls to prevent and detect fraud and error.
- e) Providing me with information relating to any allegations of fraud or suspected fraud affecting the organization's compliance with criteria established by The Public Sector Compensation Disclosure Act communicated by employees, former employees, analysts, regulators, or others.

Recognition, measurement, and disclosure

- f) Providing me with information concerning events that occurred subsequent to the date of the auditors' report on the general purpose financial statements.

Written confirmation of significant representations

- g) Providing me with written confirmation of significant representations provided to me during the engagement on matters.

Other matters

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* places certain legal requirements on my firm to report transactions that may be suspicious of being related to a money laundering or a terrorist financing offence. It also requires me to report large cash transactions that exceed \$10,000, the cross-border movement of currency or monetary instruments that exceed \$10,000, and whether I am in possession or control of property that is considered terrorist property. Finally, the *Act* requires me to ascertain the identity and existence of clients and other entities. To meet these obligations, I may have to report information about the organization that might otherwise be confidential. The reporting of this information may place the organization and myself in a conflict of interest. Should such a conflict arise I may be required to withdraw from this engagement. Please be advised that only information that is required under the *Act* will be disclosed. You hereby acknowledge this legal requirement placed upon me and the potential conflict of interest that may arise as a result of it. You also hereby authorize me to release and disclose information related to the organization if and when required by statute to do so.

In accordance with professional requirements, my client files are subject to periodic practice review by my provincial governing body as a self-regulating professional organization that is responsible for regulating its members and protecting the public. The practice reviewers are required to maintain strict confidentiality of any client information they may encounter during this process.

In order to audit your compliance with the criteria established by The Public Sector Compensation Disclosure Act pursuant to this engagement, I will prepare various working papers. I will retain ownership of all such working papers and only disseminate information therein with your consent or as required by law or statute.

My fees are based on the complexity and nature of the work, and on the degree of responsibility and skill required. Any disbursements will be added to my invoice.

The above terms will remain in effect unless amended in writing by both parties or terminated by written notice from either party. Upon termination of this engagement, I will invoice you for any unbilled fees and expenses. Further, you agree to pay your account to the date of termination upon receipt of my invoice.

This engagement will be subject to and governed by the laws of the Province of Manitoba. Any disputes arising from this engagement shall be subject to the exclusive jurisdiction of the courts of Manitoba.

I shall be pleased to discuss the contents of this letter with you at any time, particularly if your requirements change, and to explain the reasons for any items. If the above terms are acceptable to you, and the services outlined are in accordance with the organization's requirements, please sign the copy of this letter in the space provided and return it to me. I appreciate the opportunity of continuing to be of service to you.

Kind Regards

Stewart & Associates

Chartered Professional Accountants Inc.

The services set out in the foregoing letter are in accordance with our requirements. The terms set out are acceptable to us and are hereby agreed to.

Selkirk, September 16, 2019

City, Date

PZC


Lori Zdebiak, Executive Director