
Association for Mineral Exploration British Columbia

*2018 year-end report
to the Finance
Committee*

*Prepared as of
November 1, 2018*





November 1, 2018

Members of the Finance Committee
Association for Mineral Exploration British Columbia
Suite 800-889 West Pender Street
Vancouver BC V6C 3B2

Attention: Mr. Jim Bennett, Audit Chair of the Finance Committee

Dear Members of the Finance Committee:

We have substantially completed our audit of the financial statements of Association for Mineral Exploration British Columbia ('AME' or 'the Organization') prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) for the year ended August 31, 2018. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process. We remain committed to ongoing dialogue with you, enabling us to deliver the highest level of service and audit quality, as well as provide an independent point of view.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on November 6, 2018. If you have any questions or concerns prior to the Finance Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

Dean Larocque, CP, CA; CFP; CPA (Oregon)
Engagement Leader and Incorporate Partner
Assurance

c.c.: Ms. Edie Thome, President and Chief Executive Officer
Mr. Jim Gray, Treasurer

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Communications to the Finance Committee

Key matters for discussion	Comments
<p>Status of the audit</p>	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Management representation letter • Review of final financial statements • Subsequent events procedures • Approval of the financial statements by the Board of Directors
<p>Significant accounting, auditing and reporting matters discussed with management</p>	
<p>Matter 1 – Risk of Material Misstatement due to Management Override (significant risk)</p> <p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p>	<p>We performed the following procedures to address the risk of management override of controls:</p> <ul style="list-style-type: none"> • Gained an understanding of the overall control environment in place; • Obtained a listing of journal entries recorded in the system, and performed related testing on those considered to have a higher risk of management override; • Performed unpredictable audit procedures; and <p>Based on our procedures performed, no exceptions were noted.</p>
<p>Matter 2 – Revenue recognition (significant risk)</p> <p>Not-for-profit organizations have a unique risk that contribution, grant and donation revenue will not be accounted for and disclosed in accordance with the directions of the donor or the organization’s revenue recognition policy.</p> <p>Auditing Standards dictate that there is a significant risk of fraud in revenue recognition.</p>	<p>Revenue is to be recognized when the services have been performed. As AME, at times, receives cash in advance of the services provided and/ or the events it puts on, management must assess at each reporting period if revenue is deferred or recognized.</p> <p>On a daily basis management journals cash received into various GL accounts, which correspond to various services and/ or events. The costs are monitored by project to ensure that this allocation is done appropriately.</p> <p>Management ensures that for all events which have taken place, revenue has been recorded and for events which have yet to occur, cash received is deferred. Services, such as membership, are amortized over the life of the service provided. Services provided specific to programs are recorded when incurred.</p> <p>PwC’s views: We have understood and evaluated management’s controls in this area. We have tested the review of project costs as a control and have substantively tested a sample of cash receipts and supporting documents.</p> <p>We have also gained an understanding of the potential risk of fraud by examining the complexity of the revenue recognition policy, incentive and pressures to misstate revenue and related balances and potential opportunity and rationalization to record a fraudulent entry. Based on our work and the adjustment made as noted in Appendix B, we accept the revenue and deferred revenue as reasonable.</p>

Key matters for discussion	Comments
	Consistent with the prior year audit, we have considered whether or not we are able to issue an unqualified report. Because cash donations are immaterial to AME's financial statements and because AME has adopted a policy to not record revenue for donations of goods and services in kind, which is clearly articulated in the financial statements, we are able to issue an unqualified report in 2018.
<p>Matter 3 – Fund Accounting (focus area)</p> <p>Accounting for internal, external, endowment and unrestricted fund balances is one of the most complex areas of accounting for not for profit organizations.</p>	<p>AME has two funds – the Contingency Reserve Fund and the Operating Fund.</p> <p>Management applies the deferral method of accounting which is to defer cash received until the service is performed, for items related to the Operating Fund.</p> <p>PwC's views: We have ensured that this accounting policy has been applied appropriately and are satisfied for the purposes of our audit.</p>
Fraud and illegal acts	No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to reconfirm that the Finance Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Summary of unadjusted and adjusted items	<p>Within our previous audit plan dated October 1, 2018 we noted an overall materiality level of \$105,000 and an unadjusted and adjusted item threshold of \$10,500. Upon consideration of finalized year-end figures, these have been updated to \$108,000 and \$10,800 respectively.</p> <p>We have included within Appendix B all adjusted and unadjusted items identified in our audit.</p> <p>We note that management have reclassified \$176,990 from short-term investments into cash and cash equivalents in the comparatives of the FY2018 financial statements. We agree with management that this treatment is appropriate.</p>
Internal control recommendations	We have no significant internal control recommendations to report.
Other information in documents containing audited financial information	Once it is available, we will read the annual report and consider whether the content or manner of presentation is materially consistent with the financial information covered by our auditor's report.
Subsequent events	<p>There were no subsequent events in the year.</p> <p>We would like to reconfirm that the Finance Committee is not aware of any other subsequent events that might affect the financial statements.</p>

The matters raised in this and other reports that will flow from the audit are only those that 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 internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.