

REPORT TO THE BOARD OF DIRECTORS
Audit Findings for the year ended December 31, 2023

Horticulture Centre of the Pacific

APRIL 23, 2024

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Purpose of this report

We have issued this audit findings report to assist you in your review of Horticulture Centre of the Pacific's (the "Centre") financial statements.

The matters raised in this report are those that have come to our attention while performing our audit and which we believe need to be brought to your attention. This is not a comprehensive record of all matters arising, and in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.

This report is intended solely for the information and use of the Board of Directors and should be read in conjunction with the financial statements and audit report. It is not intended to be used by anyone other than these parties.

Materiality

We planned and performed our audit using a materiality of \$45,000. Materiality is intended to reflect the level at which the decisions of persons relying on the financial statements would likely change or be influenced. We accumulate all misstatements identified other than those which are clearly trivial, determined to be in excess of \$2,250.

We recommend that management adjusts all misstatements identified as part of the audit.

Audit status

We have completed our audit of Horticulture Centre of the Pacific's financial statements for the year-ended December 31, 2023, subject to:

- Completing our discussions with the Board of Directors
- Obtaining confirmation of the Board of Directors' approval of the financial statements
- Obtaining a signed copy of the management representation letter
- Obtaining the confirmation of a long-outstanding payable balance

Upon completion of the above we anticipate being in a position to release our independent auditor's report on the financial statements.

Independence

We confirm that we are independent within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct. There are no relationships that, in our professional judgement, may reasonably be thought to bear on our independence as your auditors.

REPORT TO THE BOARD OF DIRECTORS

Audit Results

Significant risks

Risk area	Matter	Audit approach and findings
Revenue recognition	The presumed risk of fraud in revenue recognition, as required under the Canadian Auditing Standards (CAS) has been rebutted given the not-for-profit status of the Centre and our understanding of its internal controls.	<p>We performed substantive testing, vouching the revenue recognized for a sample of transactions to the underlying contract or other support. We ensured that revenue was recognized in the correct period in accordance with the supporting documentation.</p> <p>We assessed that the accounting policy and disclosures are in accordance with ASNPO. No adjustments were identified.</p>
Management override of controls	<p>As management is in a unique position to deviate from controls the organization has in place, the CAS require that there be a presumed risk of fraud surrounding management override of controls. This risk is not rebuttable, and focuses on the following:</p> <ul style="list-style-type: none"> • Journal entries and other adjustments • Accounting estimates • Business rationale for significant transactions 	To address this risk, we performed journal entry testing, where we searched for higher risk entries. None were identified that warranted further consideration.
Cash donations and contributions	<p>As is common with many not-for-profit organizations, it is not possible to gain sufficient audit evidence over the completeness of cash donations and contributions.</p> <p>Organizations which accept cash donations are inherently at risk to misappropriation of assets as there is not a clear audit trail.</p>	<p>To address this risk, we inquired of management as to the policies around cash collection, handling, and record keeping. We considered whether the controls in place were sufficient to reduce the risk and we concluded that there is a risk of misappropriation of assets due to the nature of cash donations.</p> <p>Lastly, we included a qualification in our audit report.</p>

Other areas of focus

Risk area	Matter	Audit approach and findings
Capital assets	The Centre owns a large amount of capital assets and regularly purchases capital assets.	We agreed a sample of additions to the underlying invoices. We performed a recalculation of amortization and ensured that the rates used are consistent with the accounting policy. We assessed that the accounting policy and disclosure are in accordance with ASNPO. One adjustment was made for amortization. Additional adjustments were posted to capitalize the acoustic panel track system, the related deferred capital contribution and the amortization of that contribution.
Unrecorded liabilities	A risk common to many organizations, is that invoices received after year end that relate to the period under audit have not been recorded in the correct period.	We selected a sample of payments made subsequent to the year end and vouched to the supporting invoice to determine the period in which the invoice should be recorded. No adjustments were required.
Deferred contributions	The Centre received a significant amount of grants which may give rise to concerns surrounding revenue recognition.	We selected a sample of deferred revenue balances and reviewed its supporting documentation for the terms of the agreement to determine proper classification. No adjustments were required. We will continue to monitor and follow up the process for the release of these funds into income over future years.
Payroll expenses	The Centre's largest expense is the compensation of its employees.	We agreed a sample of payments to employees on the payroll files and performed a reasonability test of payroll expenses to the underlying payroll files. No adjustments were required.
General expenses	The Centre has significant general expenses.	We vouched a sample of expenses to the underlying invoices and payment records. We traced a sample of expenses to the accounting and payment records. One adjustment was made to capitalize long-term assets.

REPORT TO THE BOARD OF DIRECTORS

Audit Differences

Audit Differences

Management is responsible for the financial statements and accordingly is responsible for the recording of any audit differences identified from our audit.

Corrected audit differences

Five differences have been identified in the financial statements. Please refer to Appendix 3 for these adjustments.

Uncorrected audit differences

No unadjusted audit differences were identified in our audit.

Disclosure matters

During the audit we noted that the intent regarding the interest earned on the internally restricted funds is not clear. That interest, at the direction of the Board, may be either unrestricted or internally restricted. This has an impact on the statement of change in net assets as well as the fund accounting and internally restricted funds disclosures. The draft statements have been prepared under the assumption that the interest is also internally restricted. However, we propose that the board put forth a motion to clarify the intent and approve the closing balance of the internally restricted fund at December 31, 2023.

The remaining notes to the financial statements are presented consistently with the previous year and there are no material departures from disclosure requirements under the accounting standards.

REPORT TO THE BOARD OF DIRECTORS

Other Matters

Other Matters

Evaluation of internal controls

We did not identify any material weakness in the design or implementation of internal control over financial reporting from our audit. Please refer to our management letter enclosed in Appendix 1 for other recommendations identified.

Other observations

- We had access to all records and information required to complete our audit
- We had full cooperation from management and staff
- There are no unresolved disagreements with management. All auditing, accounting and presentation issues were resolved to our satisfaction
- During the course of our audit we did not detect any instances of fraud, illegal or possibly illegal acts
- During the course of the audit we did not detect any related party transactions that were not in the normal course of operations

REPORT TO THE BOARD OF DIRECTORS

Appendices

April 19, 2024

The Board of Directors
Horticulture Centre of the Pacific
505 Quayle Road
Victoria, BC V9E 2J7

Dear Members of the Board of Directors:

We have recently completed our audit of the financial statements for Horticulture Centre of the Pacific ("the Centre") for the year ended December 31, 2023. This letter does not affect our independent auditors' report.

The objective of an audit is to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit is not performed to identify all control deficiencies that may exist. A control deficiency is defined as a deficiency in either the design or effectiveness of an internal control. Our professional standards require us to communicate to you any material weakness in controls identified during our audit.

During the course of our audit, we did not identify any weakness in controls that we would consider to be material.

This letter is a by-product of the financial statement audit and is prepared solely for the information of management and not intended for any other purposes.

Yours very truly,

Dusanj & Wirk

Chartered Professional Accountants



April 19, 2024

Horticulture Centre of the Pacific
505 Quayle Road
Victoria BC V9E 2J7

Dear Members of the Board of Directors

We have been engaged to audit the financial statements of Horticulture Centre of the Pacific for the year ending December 31, 2023.

The purpose of this letter is to communicate with you regarding all relationships between Horticulture Centre of the Pacific and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

The following comments have been prepared to facilitate our discussion with you regarding independence matters.

We hereby confirm that we:

- have complied with the requirements regarding independence in the Rules of Conduct of the Chartered Professional Accountants of British Columbia; and
- have disclosed all relationships and other matters between the Firm, network firm and the entity that in our opinion may reasonably be thought to bear on independence.

We are not aware of any relationships between Horticulture Centre of the Pacific and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from May 2, 2023 to April 19, 2024.

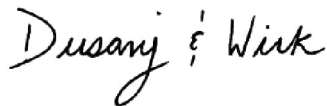
This letter is intended solely for the use of the audit committee, the board of directors, management, and others within the HCP and should not be used for any other purpose.

Should you wish to discuss this matter with us further, please contact us at your earliest convenience.

Yours very truly,

DUSANJ & WIRK CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Per:



Horticulture Centre of the Pacific

Year End: December 31, 2023

Adjusting entries - client copy

Date: 1/1/2023 To 12/31/2023

Number	Date	Name	Account No	Debit	Credit
1	12/31/2023	Land & Buildings	1710	16,775.15	
1	12/31/2023	Funded Projects	5140		16,775.15
		To capitalize the installation of acoustic panel track system.			
2	12/31/2023	Loan-District of Saanich	2700		4,150.48
2	12/31/2023	Interest-Long term debt	5028	4,150.48	
		To record imputed interest on the District of Saanich loan.			
3	12/31/2023	Accum. Amort.-Land & Building	1715		4,637.88
3	12/31/2023	Accum. Amort-Computer Equip	1735	6,384.03	
3	12/31/2023	Accum. Amort-Equipment	1745	2,292.41	
3	12/31/2023	Accum Amort-Property Infrast	1755	40.02	
3	12/31/2023	Depreciation	5098		4,078.58
		To adjust year-end amortization balance to actual.			
4	12/31/2023	Deferred Capital Donations	2800		16,775.15
4	12/31/2023	Donations-Projects	4250	16,775.15	
		To reallocate the amount used for the acoustic system from revenue to deferred capital contribution.			
5	12/31/2023	Deferred Capital Donations	2800	443.39	
5	12/31/2023	Donations-Deferred Capital	4208		443.39
		To adjust deferred capital contribution and related revenue to actual.			
				46,860.63	46,860.63

Net Income (Loss)

76,563.58

4/19/202
2:20 PM

Prepared by	Reviewed by

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