STRUCTURE OF PUBLIC PRACTICE

ROLE OF CHARTERED ACCOUNTANTS

Chartered Accountants are highly educated professionals who, as financial managers and advisors, provide information and services in public accounting, industry, education, non-profit organizations, and government utilizing expert knowledge, professional judgment, objectivity, and accountability.

GOVERNING DOCUMENTS

As a self-governing profession, CA's enjoy both privileges and responsibilities. It is an ongoing commitment to professionalism, ethical behaviour, competence and accountability to one's peers that makes a professional designation valuable. To this end, the ICAA, and its members, are guided by a series of governing documents.

The Governing Documents of the Institute of Chartered Accountants of Alberta (ICAA) include all documents that provide authority for the Institute to regulate chartered accountants and all documents that give chartered accountants authority or responsibilities.

- *Regulated Accounting Profession Act (RAPA)*
- Chartered Accountants Regulation
- Bylaws
- Rules of Professional Conduct
- Combined Rules and Guidelines
- Council Resolutions
- Guide to Canadian Independence Standards

STANDARDS

The standards to which the ICAA, its members, and its students must adhere are the highest and most stringent of those applied by any professional accounting organization in Alberta. Only by adopting and enforcing such standards can the ICAA ensure that the CA designation continues to be pre-eminent in the accounting profession. The chartered accountancy profession performs with such high standards because it is built on a foundation of expertise, standards, ethics and values. In addition, all standards and related processes are subject to ongoing review and adjustment to ensure they are consistent with changing times and conditions.

The standard-setting and enforcement process encompasses the following main areas:

Professional Conduct

In general, standards of professional conduct adopted by the ICAA for its members are codified in the Rules of Professional Conduct and related Guidelines. These ethical principles, established to protect the public and ensure orderly and courteous conduct within the profession, include members' responsibility to:

- maintain the good reputation of the profession,

- perform professional services with integrity and care,
- maintain professional competence and comply with current developments in professional standards,
- avoid any situation which might appear to impair professional judgment or objectivity when engaged to express an opinion on, or review of, financial statements,
- hold information of clients or employers in strict confidence and prohibit the use of this information for personal advantage, and
- develop a practice from a reputation of professional excellence and act in a courteous manner with professional colleagues.

When a breach occurs and a complaint is made, and it is found by the Professional Conduct Committee that a complaint is substantiated through investigation, the matter is referred to a hearing committee comprised of the member's peers. The Hearing Committee will conduct a hearing and determine whether there has been unprofessional conduct. In interim and ensuing steps in the process, individuals under investigation are entitled to all the attendant rights of due process, including review and appeal to the Alberta Court of Appeal. Penalties assessed against investigated persons who are found guilty of unprofessional conduct or an indictable offence are prescribed in the Act, and include: reprimand, suspension, expulsion, limitations of practice, mandatory supervision, completion of courses and/or exams, and/or counseling, additional practice reviews, and may include costs of the hearing, etc., as well as fines of up to $10,000 per offence.

Practice Review

A mandatory comprehensive program is in place to review all registered practicing offices. The purpose of this program is to promote and increase the knowledge, skill and proficiency of the ICAA's members in public accounting.

Based on a limited selection of sample files, the purpose of a practice review is to determine whether the practice in a public accounting firm:

- complies with generally accepted accounting, auditing, and assurance standards,
- complies with the standards of practice as set out in the Rules of Professional Conduct of the Institute,
- maintains sufficiently high standards having regard to generally accepted standards in the practice of the profession,
- complies, where appropriate, with the minimum standards for firms employing students, and
- adheres to the identified income tax standards as defined by ICAA Practice Review Committee.

Practice reviews evaluate whether a reviewed office's quality control policies and procedures for its accounting and auditing practice are appropriately comprehensive and suitably designed, and whether these procedures are adequately documented, communicated to personnel, if any, and are being complied with.

The practice review process encompasses a four-year cycle (i.e. each registered Alberta office will be reviewed once every four years, providing acceptable standards are maintained). All offices reviewed are given recommendations for improvement. Offices assessed as being lacking in minimum standards may require a follow-up review. Continued failure to improve standards after sufficient follow-up reviews may result in a discipline complaint against the office.

Approval for offices to train students is administered under the practice review program.

Member Education

Under "Standards of Conduct Affecting the Public Interest," in the ICAA's Rules of Professional Conduct, Rule 203 states:

> *"A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practices or is relied upon because of the member's calling."*

To facilitate member education, the ICAA provides a program of professional development courses. Courses are offered in a variety of formats including publications, seminars, capsule courses, and video-assisted instructional programs.

PROFESSIONAL ENGAGEMENTS

Assurance Engagements

	Audit	Review
Objective	To provide a high (although not absolute) level of assurance on the subject matter being reported on – is the information reasonable or materially misstated?	To provide a moderate level of assurance on the subject matter being reported on – is the information plausible?
How is this achieved?	CAS's require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. It is achieved when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.	Plausibility is taken to mean "worthy of belief". Assess whether information being reported upon is plausible within framework of appropriate criteria.
Criteria	Appropriate disclosed basis of accounting (IFRS, ASPE, Accounting Standards for NPO's)	Appropriate disclosed basis of accounting (normally ASPE)
Other Criteria	As established by the terms of the	As established by the terms of the

	engagement, i.e. Terms of an agreement or regulation	engagement, i.e. Terms of an agreement or regulation
Work Effort	An audit requires similar exchanges between client staff and management as a review, but the auditor must also obtain corroborating evidence such as confirmations with external parties and examination of supporting data. Must assess internal controls.	Enquiry, analytical procedures and discussion. The public accountant is entitled to accept management's responses to inquiries as long as they appear plausible. No assessment of internal controls
Other Procedures	When reasonability of information is in doubt, additional procedures need to be performed to ensure sufficient and appropriate audit evidence is obtained.	Where plausibility of information is in doubt, additional procedures may be warranted. This does not turn review into an audit.
Reporting	Paragraphs: 1) Intro 2) Management's responsibilities 3) Auditor's responsibility 4) Auditor's opinion 5) Other reporting responsibilities 6) Signature and date of report	Paragraphs: 1) scope of review, 2) disclaimer (not an audit), 3) negative assurance opinion

TYPES OF BUSINESS ENTITIES

There are three basic types of business entities:

- Sole proprietorships
- Partnerships
- Incorporated Businesses

We will outline herein basic details of the above and briefly comment on other forms of enterprise such as:

- Limited partnerships
- Public corporations
- Not-for-profit organizations

PROPRIETORSHIP

A proprietorship represents an unincorporated business carried on by one individual. The individual may employ others in the business but cannot employ him or herself. Income generated by the business will be taxed along with the owner's other sources of income at the individual's personal tax rate. Typically, the sole proprietorship is used for small family businesses.

Advantages

- A proprietorship is generally the simplest and least expensive form of business to set up, with fewer annual legal and accounting procedures required.
- The owner is entitled to total control of the operations of the business and makes all business decisions.
- The owner is entitled to all earnings of the business.
- Losses from the business may be used to reduce taxable income from other sources.
- The business is freely transferable by sale, gift or will.

Disadvantages

- A proprietorship affords less tax planning opportunities and may result in higher taxation depending on the earnings of the business and other sources of income of the owner. The owner will be taxed on the net earnings of the business, whether or not he/she has withdrawn any of the funds from the business for personal use.
- The owner is singularly responsible for all investment in the business, limiting his/her resources to his/her own and suffering any losses of the business on his/her own.
- The owner is personally liable for all debts of the business and judgments against the business as well as any negligence of the sole proprietor or employees. All business and personal assets of the sole proprietor may be seized in fulfillment of the sole proprietors' business obligations and liabilities.
- The business is required to have a December 31st year-end, unless election is made to have an alternate year-end. A proprietor must pay income taxes based on calendar year earnings, or adjusted calendar year earnings in the case of proprietorships with non-calendar year-ends.
- The sole proprietorship may have relatively short life span because the death of the sole proprietor dissolves the proprietorship.

PARTNERSHIP (UNINCORPORATED)

A partnership exists when, by agreement, two or more persons or entities share involvement in carrying on a business and share in the income/loss associated with its operations. A partnership is not a separate legal entity and in this way is similar to a proprietorship. There are various forms of partnership arrangements and many ways of dividing responsibility and splitting the financial gains/losses of the operation. In conducting business as a partnership, each member of the partnership is designated as the lawful agent of the other partners and each partner is jointly and individually responsible for operating debts incurred by the other(s). The cost to create and run a general partnership depends on the complexity of the partnership arrangement.

Partnership income, based on the agreed allocation between partners, will be taxed personally along with any other income of the individual. Partnership terms should be considered carefully, with the individual situation, resources and requirements of the prospective partners in mind. Partnerships are required to file a Declaration of Partnership with Corporate Registry.

Although verbal and implied business partnerships do exist, these types of arrangements are not recommended. A formal signed Partnership Agreement prepared by a lawyer, which defines the terms of the arrangement, responsibilities and limitations is strongly recommended

in order to avoid later misunderstandings and to protect the interests of each partner. A good partnership agreement should include the following elements:

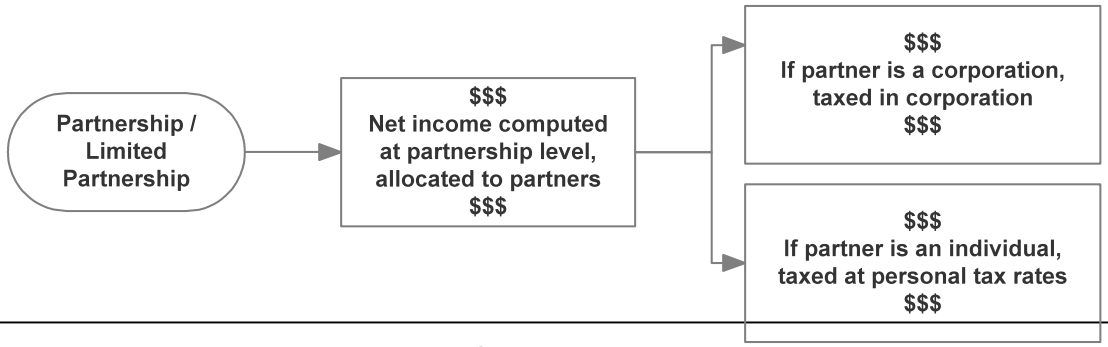
1. The financial contribution of each partner
2. The division of work between the partners
3. Income draws and what will be left in the partnership
4. The property included in the partnership and if and how property can be used by individual partners
5. How bank accounts are to be set up and the accounting and tax matters handled
6. Dispute resolution
7. Buyout agreement for the event of death, disability or if partner wants to leave
8. How sale of business is to be handled, i.e. exit strategy

Advantages

- Combined resources of the partners are available to fund and operate the business. For example, an individual with skills in a given area and a promising business plan may unite with another who has available the financing to begin the business operation.
- Very flexible in that the management responsibilities can be divided among the partners in any way the partners agree.
- Unless specified otherwise in the partnership agreement, each partner has an equal right to control the partnership.
- Losses from the business may be used to reduce taxable income from other sources.

Disadvantages

- The partners are personally liable for all debts of the business and judgments against the business, except in the case of limited partners. Liability exists for debts incurred by other partner(s) and obligations placed on the business by other partners. (A partner is not liable to the creditors of a partnership for anything done before he or she became a partner, likewise, a retired partner remains liable for partnership debts or obligations incurred before retirement).
- As with any human relationship, a degree of patience and the ability to compromise and trust in a partner is essential for harmonious interaction. Even the most well-intentioned individuals can encounter problems with a partner where differences in opinion, ethics, and goals are sure to arise.
- Partners pay tax personally on their share of profits from the partnership, combined with any other income they may have. This affords little tax planning opportunities.
- Unless specific provisions are made in the partnership agreement, the death, bankruptcy, or withdrawal of a partner dissolves the general partnership.
- Partnerships are required to have a December 31st year-end unless the partners have elected another date. Partners pay income taxes based on calendar year earnings, or adjusted calendar year earnings in the case of partnerships with non-calendar year-ends.



LIMITED PARTNERSHIP

A limited partnership is created by complying with the relevant provisions of the *Limited Partnerships Act.* A limited partnership is established by filing a declaration of a limited partnership with Corporate Registry. A limited partnership must have at least one general partner and one limited partner. The general partners have unlimited personal liability for the partnership obligations as stated above. The limited partner must basically be a passive investor rather than an active participant in the operation of the limited partnership to have limited liability.

Generally the costs of creating and managing a limited partnership will be more expensive than a general partnership. Limited partners have no right to participate in control of the partnership. A limited partnership must dissolve if a general partner dies, goes bankrupt or withdraws but can survive these events if they occur to a limited partner. As with general partnerships, a limited partnership is not a separate legal entity and the income or loss of the business is determined at the partnership level and allocated to the partners according to their partner share. A limited partnership is frequently used to raise capital and to bring together passive investors with managerial talent. Usually the general partner of the limited partnership is a corporation.

INCORPORATED

An incorporated company, commonly referred to as a “limited (liability) company”, “company” or “corporation” is created by statute law, being incorporated under the Business Corporations Act.

Companies may be incorporated federally or provincially. Federally incorporated companies are entitled to carry on business in every province; however, as registration is still generally required in every province where you wish to conduct business, the advantage of federal incorporation is not significant. Extra provincial registration may be obtained when and if the need arises later. Companies are generally incorporated provincially if it is unlikely they will be operating in more than one or two jurisdictions outside their province.

An incorporated company is recognized as a separate and distinct entity, with distinct laws (Articles of Incorporation), and distinct government reporting requirements for Corporate Registry and federal and provincial taxation purposes. This is the most frequently used entity to carry on commercial activities. Often called a “private company”, incorporated companies are limited to not more than fifty shareholders as per the Canada Corporations Act.

Owners of voting shares in the company (shareholders) annually elect directors who are responsible for the management and control of the business. Most often, the major shareholders are also directors. Often in larger companies, additional directors who are well known individuals, although not necessarily familiar with or involved in the day-to-day operations of the business, will be elected to lend prestige to the organization. Consequently, the individual may maintain ultimate control of the corporation with the majority (51%) voting shares who is also a director, or this responsibility may be divided.

A Unanimous Shareholders Agreement should be prepared by a lawyer and signed by shareholders. The basic elements of a shareholder agreement include the following:

1. The number of shares issued to each shareholder
2. Money lent to the corporation by shareholders and any obligations to make further loans
3. Financing the business (share capital, loans by shareholders, banks or others)
4. Distribution or reinvestment of profits
5. Internal management
6. Resolution of disputes
7. Shareholders' rights if any to choose directors
8. Number of directors, timing and quorum of shareholders and directors meetings
9. Restrictions on the rights to transfer or otherwise dispose shares
10. Decisions on the admission of new shareholders

Income generated by the corporation is taxed separately from the individual at current corporate rates. Shareholders may withdraw funds from the corporation in the form of a wage with appropriate payroll deductions. (Note: Employment Insurance will not apply in the case of a shareholder owning more than 40% of the voting shares of a company) These wages are reported on the shareholder's personal income tax return and taxed at the individual's personal rate. Income can also be obtained by the shareholder in the form of a dividend. Dividends are paid with funds, which have already been taxed in the corporation, so there is less tax consequence to the shareholder from a personal income tax standpoint for withdrawal of such funds.

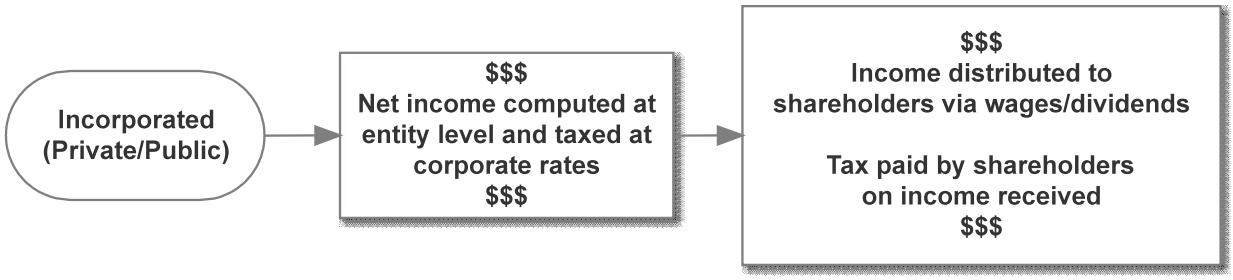
Advantages

- Limited liability. Shareholders cannot be held totally and completely liable for debts of the company, unlike owners of proprietorships and partnerships. Their liability is limited to the amount of their investment in the company through purchase of shares or loans to the company. Note, however, that directors may be held personally liable for such things as payroll debts and outstanding corporate tax and Goods and Services Tax.
- Incorporated companies report and pay income taxes separate from the individuals who share in the company. The taxation rates are generally less for corporations than for individuals.
- Increased funding opportunities and resources exist. Lenders often respond to incorporated entities sooner and investors can purchase stock without becoming personally liable for the business operations.
- Versatility in tax planning. Shareholders pay income taxes personally only on the wages and dividends they actually receive from the company, creating greater tax planning options.
- Versatility in control of company. Introduction of new shareholders and directors is always possible. The company does not cease to exist upon death of a shareholder. Shares and ownership may be transferred from one shareholder to another without upsetting the management of the business.
- The corporation may choose a year-end that coincides with the business cycle.
- Corporate structures permit the creation of sophisticated financial structures in which variable ownership classes are entitled to different rights and preferences.

Disadvantages

- Reporting procedures and general operations of a corporation are generally more complex, costly and time consuming, requiring more legal and accounting counsel.

- Legal and accounting advice should be sought before incorporating to address matters such as proper registrations, share structuring and accounting procedures. Legal costs will include initial consultation and disbursements, and filing of appropriate registrations along with annual reporting requirements. Accounting fees will include financial statement preparation, income tax and other required filings and will depend on the complexity of the company, the volume of business, and type of service required.
- Corporate operating and capital losses are not deductible against other income of the shareholders, as they would be if incurred by a proprietorship or partnership. However, these losses can be carried back or forward to certain years to be applied against past or future taxable income of the corporation.
- Personal guarantees from shareholders are often required to obtain loans. This extends the liability of the corporation to the shareholder(s).



PUBLIC CORPORATION

Public Corporations may have in excess of 50 shareholders (private companies are limited to not more than 50 shareholders) and are subject to many additional public disclosure requirements as well as additional checks imposed by the Business Corporations Act. These corporations require annual audits by recognized accountants. Public corporations, which comply with necessary corporate and securities laws, are allowed to sell shares to the public.

Small companies looking to further the growth of their company often use an initial public offering as a way to generate the capital needed to expand. Advantages to going public include an increase in access to capital, an increase in public awareness of the company which can lead to greater market share, as well as provide an exit strategy for founding shareholders.

There are substantial reporting requirements for public companies which can be a challenge for some. The cost of complying with regulatory requirements can be very high. These costs include the generation of financial reporting documents, audit fees, investor relation departments and accounting oversight committees.

Once a company has reviewed the advantages and disadvantages of going public, has decided that the company and the markets are ready; then there is an extensive preparation process to undergo. Preparation includes a review of the company, possible restructuring of management, developing the right teams, timelines and of course the offering. A company will need the right teams made up of the board, management, underwriters, lawyers, auditors, valuation specialists and appraisers, investor relations firms, financial printer, and share registrar and transfer agent.

The next step is to prepare a preliminary prospectus which is a legal document containing information about the company, a description of the securities to be issued and information about the purpose for which the proceeds from the sale of securities is intended. This is filed with the securities commission. Once filed, copies are provided to an underwriter for distribution to prospective investors. An underwriter will perform due diligence involving a thorough review of the company and operations. This helps the underwriters to increase their understanding of the company which will further their efforts in marketing the securities to potential investors.

Next, a company will need to apply for a stock exchange listing. This involves an application process with associated fees which differ with each exchange and can depend on the number of shares to be issued and the market value of those shares. Once listed, a company is subject to the exchange requirements and policies of the listing. The preliminary prospectus undergoes a regulatory review by a principal regulator who will provide comments for changes to be made. Marketing materials and marketing efforts follow.

When all comments have been cleared, the number of securities and their price are negotiated with the underwriter and an underwriting agreement is signed. After which the final prospectus is revised, finalized and filed. Securities are available for sale and distribution at this point. The closing is the final process of the IPO and involves a meeting with the underwriters in which the net proceeds of the offering are given to the company and various documents are signed and exchanged as required by the legal process.

NOT-FOR-PROFIT ORGANIZATION

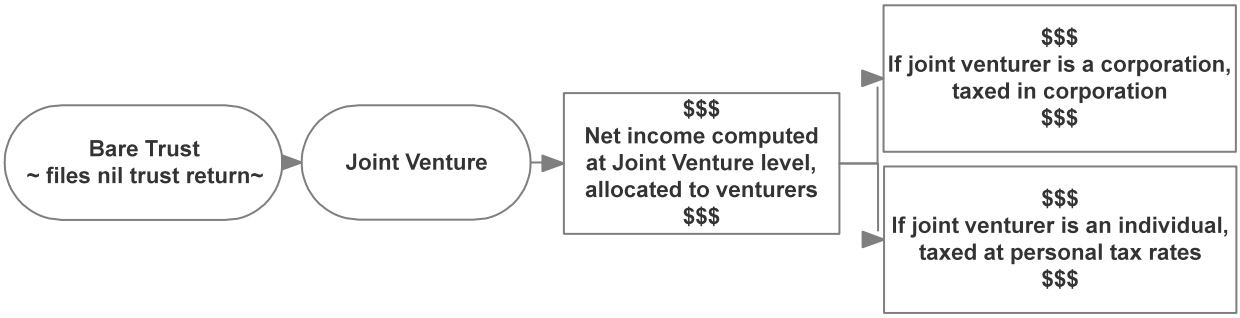
"Not-for-profit" organizations (NPO's) are societies or associations established for purposes other than business profit. These entities are organized for social, religious, charitable, educational, athletic, literary, political or other such purposes. These societies are typically not governed by the Business Corporation's Act, but by the Societies Act, which is another Alberta statute.

Although there are many different types of NPO's, in all of them, the people involved cannot use it to make personal financial gain. This does not mean that an NPO cannot make a profit or generate income; it just limits the use of such gains as they must be held in trust for the organization and can only be used to carry out its goals and objectives.

NPO's organizations can be formal (incorporated) or informal (unincorporated). Incorporating has similar advantages of incorporated businesses in that it creates a distinct legal entity with limited liability. The entity can continue to exist even have founding members have moved on or passed away. The entity can own property and can often access government aid that would not otherwise be available to unincorporated NPO's.

JOINT VENTURE

A Joint Venture (CICA 3055) is an economic activity resulting from a contractual arrangement whereby two or more venturers jointly control the economic activity. A venturer is a party to a joint venture, has joint control over that joint venture, has the right and ability to obtain future economic benefits from the resources of the joint venture and is exposed to the related risks.



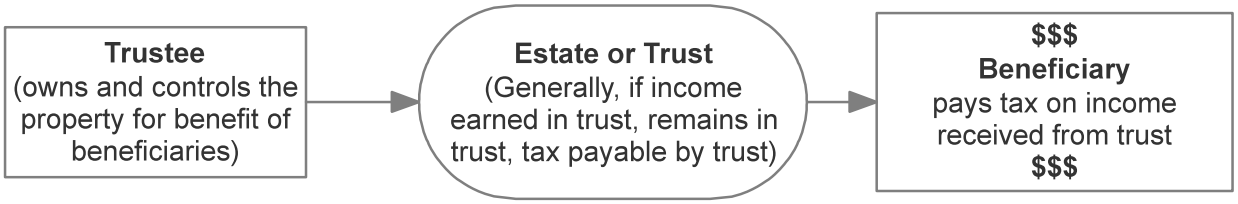
A distinctive characteristic common to all joint ventures is that two or more venturers are bound by a contractual arrangement that establishes that the venturers have joint control over the joint venture, regardless of the difference that may exist in their ownership interest. None of the individual venturers are in a position to exercise unilateral control over the joint venture.

Typically a bare trust is created in order to hold title to the property of a joint venture. A bare trust enables changes in the parties of a joint venture without having to continually change title on the property. A joint venture is not a separate legal entity. A bare trust must file a nil return annually as part of the reporting requirements. However no income is reported in the bare trust or by the joint venture. Rather, income flows to the individual joint venturers and is reported by the joint venturers as applicable (individual JV – personal tax return; corporate JV – corporate tax return).

TRUSTS

A trust is a relationship whereby property (including real, tangible and intangible) is managed by one person (or persons, or organizations) for the benefit of another. A trust is created by a settlor, who entrusts some or all of their property to people of their choice (the trustees). The trustees hold legal title to the trust property, but they are obliged to hold the property for the benefit of one or more individuals or organizations (the beneficiary), usually specified by the settlor, who hold equitable title. The trustees owe a fiduciary duty to the beneficiaries, who are the "beneficial" owners of the trust property.

The trust is governed by the terms of the trust document, which is usually written and occasionally set out in deed form. It is also governed by local law. The trustee is obliged to administer the trust in accordance with both the terms of the trust document and the governing law. For more detail on types of trusts refer to: http://www.cra-arc.gc.ca/tx/trsts/typs-eng.html.



Use of trusts:

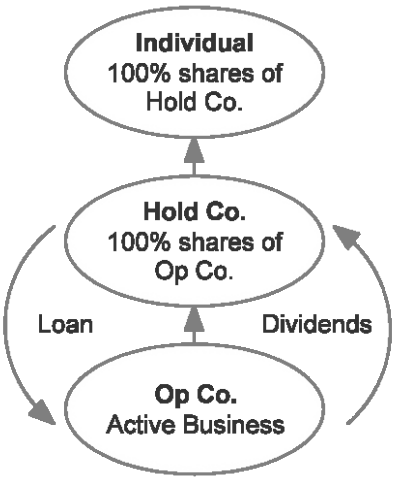
- Protect beneficiaries (i.e. inability to handle money)
- Trusts frequently appear in wills
- Asset protection
- Tax Planning

Types of Trusts:

- Testamentary trust
- Inter vivos trust
- Alter ego trust
- Employee trust
- Joint spousal or common-law partner trust
- Spousal or common-law partner trust

OPERATING COMPANY

An operating company is a company that carries on or operates an active business. The operating company can be owned by individuals, holding companies, trusts or other operation companies. If held by a holding company, this is then typically owned by individuals who are involved in the main business.



HOLDING COMPANY

A holding company is a company that owns other companies' outstanding stock. It usually refers to a company which does not produce goods or services itself; rather its only purpose is to own shares of other companies. Holding companies allow the reduction of risk for the owners and can allow the ownership and control of a number of different companies.

A holding company is good for creditor protection. If there are excess earnings in the operating company, the operating company pays the excess earnings to the holding company as a tax-free dividend, which protects those earnings from creditors of the operating company. If necessary, the monies can be lent back to operating company on a secured basis to retain that protection from creditors.

FINANCIAL STATEMENT USERS

INSIDERS	OUTSIDERS
Owners / shareholders	Potential investors
Management	Bankers and other lenders
	Suppliers
	Government agencies
	Bonding companies
	Securities commissions

FINANCIAL STATEMENTS

Financial statements of profit-oriented enterprises normally include a balance sheet, income statement, statement of retained earnings and cash flow statement. Financial statements of not-for-profit organizations normally include a statement of financial position, statement of operations, statement of changes in net assets and a statement of cash flows. Notes to financial statements and supporting schedules to which the financial statements are cross-referenced are an integral part of such statements.

The content of financial statements is usually limited to financial information about transactions and events. Financial statements are based on representations of past, rather than future, transactions and events, although they often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

Financial statements form part of the process of financial reporting that includes, for example, information in other reports such as a funding proposal. While many financial statement concepts also apply to such information, this Section deals specifically only with financial statements.

OBJECTIVE OF FINANCIAL STATEMENTS

In the Canadian economic environment, the production of goods and the provision of services are, to a significant extent, carried out by investor-owned business enterprises in the private sector and, to a lesser extent, by government-owned business enterprises. Debt and equity markets and financial institutions act as exchange mechanisms for investment resources used by these enterprises.

The provision of services and, and in some cases the production of goods, are also carried out by not-for-profit organizations in both the private and public sectors. Not-for-profit organizations are often not subject to the same exchange mechanisms as are profit-oriented enterprises. However, they are often restricted by spending mandates imposed by their members and contributors. Contributors include individuals, corporations, organizations and other donors such as governments and other public sector bodies that grant funds for specified and non-specified purposes.

Ownership of profit-oriented enterprises is often segregated from management, creating a need for external communication of economic information about the entity to investors. For the purposes of this Section, investors include present and potential debt and equity investors and their advisors. Creditors and others who do not have internal access to entity information also need external reports to obtain the information they require.

Members of, and contributors to, not-for-profit organizations are often segregated from management, creating a need for external communication of economic information about the organization to members and contributors. A not-for-profit organization's creditors and others who do not have internal access to entity information also need external reports to obtain the information they require.

It is not practicable to expect financial statements to satisfy the many and varied information needs of all external users of information about an entity. Consequently, the objective of financial statements for profit-oriented enterprises focuses primarily on information needs of investors and creditors and for not-for-profit organizations, focuses primarily on information needs of members, contributors and creditors. Financial statements prepared to satisfy these needs are often used by others who need external reporting of information about an entity.

In making resource allocation decisions investors and creditors of profit-oriented enterprises are interested in predicting the ability of the entity to earn income and generate cash flows in the future to meet its obligations and to generate a return on investment.

Members, contributors and creditors of not-for-profit organizations are interested, for the purpose of making resource allocation decisions, in the entity's cost of service and how that cost was funded and in predicting the ability of the entity to meet its obligations and achieve its service delivery objectives.

Investors, members and contributors also require information about how the management of an entity has discharged its stewardship responsibility to those that have provided resources to the entity. Information regarding discharge of stewardship responsibilities is especially important in the not-for-profit sector where resources are often contributed for specific purposes and management is accountable for the appropriate utilization of such resources.

The objective of financial statements is to communicate information that is useful to investors, members, contributors, creditors and other users ("users") in making their resource allocation decisions and/or assessing management stewardship. Consequently, financial statements provide information about:

a) an entity's economic resources, obligations and equity/net assets;
b) changes in an entity's economic resources, obligations and equity/net assets; and
c) the economic performance of the entity.

Reservations	Change to opinion paragraph *Qualified Opinion* – When sufficient appropriate audit evidence has been obtained, but misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or When unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. *Adverse Opinion* – When sufficient appropriate audit evidence is obtained, but misstatements, individually or in the aggregate, are both material and pervasive to the financial statements. *Disclaimer of Opinion* - when unable to obtain sufficient appropriate audit evidence, the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.	Immediately precede negative assurance paragraph: *Qualified* - Qualification for departure from appropriate criteria – non-pervasive. *Adverse* - Adverse statement when not presented in accordance with appropriate criteria – pervasive. *Denial* - Unable to express any assurance as unable to complete review – scope limitation.

Non-Assurance Engagements

- Compilation - Not an assurance engagement, no conclusion is given concerning the information being presented.
- Bookkeeping

Income Tax Preparation