



Ms. Laurie Karson, Executive Director  
Frontier Duty Free Association  
600-116 Lisgar Street  
Ottawa, Ontario  
K2P 0C2

Dear Ms. Karson:

Re: 2015 Audit

We have been engaged to audit the financial statements of Frontier Duty Free Association for the year ended December 31, 2015. Canadian generally accepted standards for audit engagements require that we communicate the following information in relation to our audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

#### **Our responsibility as auditors**

As stated in the engagement letter, our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with accounting standards for not-for-profit organizations.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit included:

- an assessment of risk that the financial statements may contain material misstatements; and
- an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements.

#### **Evaluation of internal controls**

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, there were no significant internal control matters that we deemed necessary to bring to your attention.

#### **Significant accounting principles**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting

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policies used by Frontier Duty Free Association are described in note 2, Significant Accounting Policies, in the financial statements.

### **Significant unusual transactions**

We are not aware of any significant or unusual transactions entered into by Frontier Duty Free Association that you should be informed about.

### **Accounting estimates**

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the organization's operations and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- calculation of accounting estimates;
- analyzing of key factors such as underlying management assumptions;
- materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- estimate's sensitivity in variation and deviation from historical patterns;
- other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. The only accounting estimates of any significance for Frontier Duty Free Association are the accruals of accounts payable. These have been calculated by management based on their knowledge of unpaid transactions relating to December 31, 2015. The accruals have been verified to the extent possible through a review of unpaid bills and subsequent payment of supplier's invoices to determine whether they were reasonable and consistent with previous years.

### **Disagreements with management**

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in the aggregate significant to the organization's financial statements or auditors' report. Disagreements may arise over:

- selection or application of accounting principles;
- assumptions and related judgments for accounting estimates;
- financial statement disclosures;
- scope of the audit; or
- wording of the auditors' report.

We are pleased to advise that we had no disagreements with management during the course of our audit.

### **Issues discussed**

The auditor generally discusses among other matters, the application of accounting principles and auditing standards, and fees, etc. with management in the initial engagement or during the recurring appointment of the auditor as a normal course of business.

There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

**Difficulties encountered during the audit**

We encountered no significant difficulties during our audit that should be brought to the attention of the Board.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of the board of directors and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours sincerely,



Frouin Group  
Licensed Public Accountants

Signed \_\_\_\_\_

\_\_\_\_\_  
Name and title of the addressee

Date \_\_\_\_\_