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March 10, 2026

South Nation River Conservation Authority
38 Victoria Street
P.O. Box 29
Finch ON K0C 1K0

Attention: Members of the Board of Directors

Dear Sir / Madam:

Re: Audit of the Financial Statements of South Nation River Conservation Authority

We have been engaged to express an audit opinion on the financial statements of South Nation River Conservation Authority ("the Authority") for the year ended December 31, 2025. We have substantially completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Board of Directors. This report should be read in conjunction with the draft financial statements and our report thereon.

Auditor Independence

As communicated previously in a separate letter to the Board of Directors, we are not aware of any relationship between the Authority and us that, in our professional judgement, may reasonably be thought to bear on our independence.

Accordingly, we hereby confirm that our audit engagement team, our Firm and the other Baker Tilly Canada offices are independent with respect to the company within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

Our Responsibilities as Auditor

As stated in the engagement letter, our responsibility as auditor of your Authority 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 Authority in accordance with Canadian generally accepted accounting principles.

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 includes:

- 1 Assessing the risk that the financial statements may contain material misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;

- | Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- | Assessing the accounting principles used, and their application;
- | Assessing the significant estimates made by management;
- | Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern; and
- | Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of our audit, we will obtain a sufficient understanding of the business and internal control structure of the Authority to plan the audit. This will include management's assessment of:

- | The risk that the financial statements may be materially misstated as a result of fraud and error; and
- | The internal controls put in place by management to address such risks.

The engagement team must undertake a documented planning process prior to commencement of the audit to identify concerns, address independence considerations, assess the engagement team requirements, and plan the audit work and timing.

An audit does not relieve management or those responsible for governance of their responsibilities for the preparation of the Authority's financial statements.

Board of Directors Members' Responsibilities

The Board of Directors's role is to act in an objective, independent capacity as a liaison between the auditor, management, and the board of directors to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

The Board of Directors's responsibilities include:

- | Being available to assist and provide direction in the audit planning process when and where appropriate;
- | Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;
- | Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditors their findings;
- | Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or the Independent Auditors' Report;
- | Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed;
- | Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls;

1. Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same to be passed to directors for approval.

Independent Auditors' Report

We anticipate that our Independent Auditors' Report will be issued without modification.

Our Independent Auditors' Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and the Board has approved the financial statements.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Authority's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to the Board of Directors.

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or the Board of Directors members become aware of circumstances under which the Authority may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

All related party transactions that were identified during the audit have been represented by management to have been disclosed in the notes to financial statements, recorded in accordance with Canadian generally accepted accounting principles, and have been reviewed with you.

Management has advised that no other related party transactions have occurred that have not been disclosed to us. The Board of Directors is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

Significant Accounting Principles and Policies

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 significant accounting principles and policies are disclosed in the notes to the financial statements.

The accounting policies adopted may be acceptable policies under Canadian generally accepted accounting principles; however, alternative policies may also be acceptable under Canadian generally accepted accounting principles. The Authority and the Board of Directors have a responsibility to not adopt extreme or inappropriate interpretations of Canadian generally accepted accounting principles that may have inappropriate or misleading results. Alternative policies, if adopted, may produce significant changes in the reported results of the operations, financial position and disclosures of the Authority.

The Board of Directors has a responsibility to review the accounting policies adopted by the Authority, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of the Board of Directors believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

There were no new accounting policies adopted or changes to the application of accounting policies of the Authority during the year.

Accounting Estimates

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business 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;
- | Analysing 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 to variation and deviation from historical patterns;
- | Estimate's consistency with the entity's business plans; and
- | Other audit evidence.

Risk-based

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on higher risk areas that have a higher risk of being materially misstated.

Key Audit Matters

There are no key audit matters to be communicated in the auditor's report.

Materiality

Materiality is used throughout the audit and in particular when:

- (a) Identifying and assessing risk of material misstatement;
- (b) Determining the nature, timing and extent of further audit procedures; and
- (c) Evaluating the effect of uncorrected misstatements, if any, on the financial statements and in forming an opinion on the auditors' report.

Materiality is defined as:

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

We used an overall materiality of \$540,000 and a performance materiality of \$459,000. The overall materiality for last year's audit was \$515,000 and the performance materiality was \$437,750.

We used an overall materiality of \$540,000 and a performance materiality of \$459,000.

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.

There are no internal control matters that we wish to bring to your attention.

Significant Matters Discussed with Management

There were no significant matters arising from the audit discussed with management.

Written Representation Requested from Management

As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon. A copy of this letter is attached for your convenience.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected financial statement misstatements which are summarized in the accompanying schedule. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. To date, management has not agreed to correct these misstatements. Under CAS, we are required to request that the Board of Directors approves the correction of these misstatements.

In the course of our audit, we have not identified any uncorrected financial statement misstatements.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the Authority that you should be informed about.

Disagreements with Management

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

- | Selection or application of accounting principles;
- | Assumptions and related judgements for accounting estimates;
- | Financial statement disclosures;
- | Scope of the audit: or
- | Wording of the auditors' report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

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

Management Letter

During our audit, we did not note any significant issues on internal controls to report to management.

Annual Report and Other Filings

Once the financial statements have been approved by the Board, we will be in a position to sign our audit report subject to our review of the Annual Report and are satisfied that the financial results presented are consistent with the approved financial statements and other reporting requirements.

In Closing

We wish to express our appreciation for the co-operation we received during the audit from the Authority's management.

Should any member of the Board of Directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Board of Directors sign their acknowledgement in the spaces provided below.

Yours truly,

BAKER TILLY REO LLP

Chartered Professional Accountants



Benjamin Mann, CPA, CA
Partner
Phone: 613-774-9889

Acknowledgement of Board of Directors:

We have read and reviewed the above disclosures and understand and agree with the comments therein.
South Nation River Conservation Authority

_____	_____	_____
Print Name	Signature	Date signed
_____	_____	_____
Print Name	Signature	Date signed
_____	_____	_____
Print Name	Signature	Date signed

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements
December 31, 2025**

H25 - 1

Preparer MK1 3-2-2026	Reviewer ALS 3-2-2026	Partner BSM 3-2-2026
FQR	-	-

Overall Materiality

<u>Preliminary overall:</u>	<u>\$540,000</u>
<u>Preliminary performance:</u>	<u>\$459,000</u>
<u>Dollar threshold for clearly trivial errors</u>	<u>\$27,000</u>
<u>Final performance:</u>	<u>\$459,000</u>
Dollar threshold for clearly trivial errors	<u>\$-</u>

Specific Materiality

Select from available options below:
N/A

Description of Misstatement	File Ref.	Proposed Adjustments Dr (Cr)						Type	Corrected?
		Identified Misstatements	Likely Misstatements	Statement of Income		Balance Sheet			
				Assets	Liabilities	Opening Equity			
C.2 2024 receivable from Natural Resources Canada recorded, however, the amount was changed after information received subsequent to year end. In 2025, client reversed the receivable (debit) and credited revenue.	<u>H25.1</u>	(370,352)	(370,352)	-	-	370,352		CY	N

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements
December 31, 2025**

H25 - 2

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

a) Totals	(370,352)	-	-	370,352
b) Misstatements corrected by management	-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)	(370,352)	-	-	370,352
d) Effect of unadjusted misstatements from previous year's reversing errors	-	-	-	-
e) Aggregate likely misstatements (c + d)	(370,352)	-	-	370,352
f) Final overall <u>materiality</u>	540,000	540,000	540,000	540,000
g) Amount remaining for further possible misstatement (f - e)	169,648	540,000	540,000	169,648
h) Total of reversing errors (to be carried forward to next year)	-	-	-	-

South Nation River Conservation Authority
 Schedule of Likely Aggregate Misstatements
 December 31, 2025

H25 - 3

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

Summary of Classification Errors

Description of Misstatement	File Ref	Error Amount	Effect On				Rev
			Working Capital	Working Capital Ratio	Income Statement	Other (describe)	
Classification error in Deferred revenue testing - should have been set up as a liability as refunding UCPR funds received.	KK.1 A	25,000	-	-	-	25,000 from deferred to accounts payable. Given PSAS, we don't show current vs. long term but rather financial vs. non-financial. Both AP and deferred are classified as financial liabilities, therefore no issues.	

Summary of Omissions and Other Errors in Presentation and Disclosure

Description of Error or Omission	Ref	Description of Proposed Correction and Impact on F/S if Not Corrected	Corrected?
Possible contingent gain from lawsuit	TT.1.2	Missing disclosure on the nature of the possible contingent gain. Management deems this information to be privileged due to the ongoing legal matter.	

Evaluation of Misstatements

	Initials	Date	Comments
1. Update overall and performance materiality for any revisions required during the audit <u>P75</u>	MK'	3-2-26	No changes required

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements**

December 31, 2025

H25 - 4

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

- | | | | |
|--|-----|--------|--|
| 2. Consider specific materiality, where applicable, in evaluation of misstatements. | MK' | 3-2-26 | NA - no specific materiality needed in this case |
| 3. Ask management to correct all identified misstatements and summarize management's reasoning as to why any misstatements have not been corrected. | MK' | 3-2-26 | The 2024 AR adjustment was provided by management to Baker Tilly as they don't want to restate previous years. Client will approve the above schedule with the Mgmt Representation letter |
| 4. Describe any patterns in the misstatements that might indicate possible management bias or possible fraud. | MK' | 3-2-26 | No indication of management bias or fraud - 370k of PY was changed after audit due to election being called and NRC changing their stance of paying out further funds for the 2B tree projects in 2024 - shifted those funds to be paid in 2025. |
| 5. Where individual material misstatements that have not been corrected exist, explain why the offset by other misstatements are appropriate. | MK' | 3-2-26 | No other material misstatements |
| 6. Describe the effect of any classification misstatements on areas such as debt or other contractual covenants, individual line items or subtotals, and key ratios. | MK' | 3-2-26 | 1 classification error found in deferred revenue where SNC is to refund a Municipality 25k of unspent funds - should have been a payable instead of sitting in deferred. That said, no impact on F/S as both accounts are considered financial liabilities |
| 7. Describe any additional work required when uncorrected misstatements are close to exceeding materiality. | MK' | 3-2-26 | None are close to exceeding materiality |

Conclusion: The financial statements are not materially misstated.

South Nation River Conservation Authority

DFC H90

Year End: December 31, 2025

Client Adjusting Journal Entries

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Debit	Credit
1	12/31/2025	Reserves - Surplus (Deficit)	380000		28,695.39
1	12/31/2025	Transfer To(From) Reserves	493100 - CSAD0-ADAD002-00	28,695.39	
To record transfer of prior year surplus to reserves that was recorded in PY.					
CLE1	12/31/2025	Other Receivable	131100		49,587.20
CLE1	12/31/2025	Federal - Natural Resources Canada	447000 - RMLS0-LALF006-03	49,587.20	
To reduce receivable from Natural Resources Canada on 2B Tree Program for 2025 FYE.					
				78,282.59	78,282.59
Net Income (Loss)			684,971.76		

Draft