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April 15, 2007

Mr. Kevin Currie, Chair
Queens Quay Harbourfront Business Improvement Area
5 Brookmount Road
TORONTO, ON M4L 3M9

Dear Mr. Currie:

**MANAGEMENT LETTER
YEAR ENDED DECEMBER 31, 2006**

The audit of the financial statements of the Queens Quay Harbourfront Business Improvement Area (BIA) for the year ended December 31, 2006 has recently been completed. The primary purpose of the audit was to express an opinion on the financial position of the BIA as at that date and on the results of its operations for the year then ended.

Given the test nature of my audit, you will appreciate that reliance must be placed on adequate methods of internal control as the Board's principal safeguard against irregularities which a test examination may not disclose. This letter provides my comments and recommendations on matters arising from the audit for your consideration.

CASH

Observation:

As at December 31, 2006 a large amount of cash (\$189,000) was maintained in the current bank account earning a minimum interest.

Recommendation:

- 1. The Board should prepare a cash flow statement and all excess funds not immediately required should be invested in a short-term deposit or guaranteed investment certificate in order to generate additional revenue for the BIA.**

Management Response:

Our new Treasurer is a Bank Manager and has now invested all excess cash not immediately required into cashable short-term investments.

EMPLOYER-EMPLOYEE RELATIONSHIP

Observation:

The BIA has retained an Executive Director to assist in the general administration of BIA activities. The remuneration is paid without any statutory deductions.

According to Canada Revenue Agency (CRA) guidelines an employer-employee relationship exists when there is “a verbal or written agreement in which an employee agrees to work on a full-time or part-time basis for an employer for a specified or indeterminate period of time, in return for salary or wages. The employer has the right to decide where, when, and how the work will be done. In this type of relationship, a contract of services exists.” The CRA guidelines also provide other criteria to be used in analysing the terms and conditions of employment.

Where an employer-employee relationship exists, the employer must withhold income tax, Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums on amounts paid to employees and report the employees’ income and deductions on the appropriate return. Failure to do so could result in penalties and interest charges.

In my view, the current arrangement with the Executive Director could be interpreted as an employer-employee relationship.

Recommendation:

- 2. The Board review its current arrangement with the Executive Director, with a view to ensuring that, where an employer-employee relationship exists, its obligations under the Canada Revenue Agency regulations are met.**

Management Response:

Presently the Executive Director’s employment contract is under review and we have already advised our legal counsel to take into consideration all employment aspects including requirements of the Canada Revenue Agency.

INSURANCE

Observation:

The BIA has no insurance coverage for Directors’ and Officers’ liability. The BIA board members are personally liable for any negligent act such as for the non-payment of employee deductions to Revenue Canada, breach of contractual obligations etc. In order to assist its members, the Toronto Association of Business Improvement Areas has obtained a competitive group rate for all BIA members of the Association.

Recommendation:


- 3. In order to protect its directors, The Board should consider obtaining directors' liability insurance.**

Management Response:

The BIA has now obtained insurance coverage for Directors' and Officers' liability insurance through TABIA.

Thank you for your cooperation during the course of the audit and for taking appropriate action in a timely manner on audit findings and recommendations. I would also like to extend my appreciation to the Executive Director for her cooperation throughout the audit.

Yours truly,



Rafiq Dosani