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April 27, 2007

Mr. Peter McClelland, Chair  
Forest Hill Village Business Improvement Area  
439 Avenue Road  
TORONTO, ON

Dear Mr. Peter McClelland:

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

The audit of the financial statements of the Forest Hill Village 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.

During the course of the audit I followed up actions taken on recommendations made in the previous management letter and noted that the BIA has implemented all of my recommendations.

**EMPLOYER-EMPLOYEE RELATIONSHIP**

**Observation:**

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

According to Canada Customs and Revenue Agency (CCRA) 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 CCRA 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 Coordinator could be interpreted as an employer-employee relationship.

**Recommendation:**

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

**Management Response:**

Agreed with the recommendation. The Board will be taking appropriate steps to ensure compliance with the Canada Revenue Agency regulations.

**GST**

**Observation:**

The Forest Hill Business Improvement Area is entitled to a rebate of 100 percent of all GST paid. However, during the audit it was noted that in a number of cases the BIA paid GST but no GST registration number was provided by the supplier.

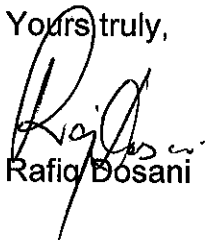
**Recommendation:**

- 2. In order to comply with the Canada Revenue Agency guidelines, the BIA should not pay GST to a supplier unless the supplier provides a GST registration number.**

**Management Response:**

Agreed with the recommendation. The Coordinator will be reviewing all suppliers' invoices and obtaining GST numbers where these were not provided.

Yours truly,



Rafiq Dosani