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CHARTERED ACCOUNTANT

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May 14, 2007

Ms. Bonnie McKenzie, Chair  
Junction Gardens Business Improvement Area  
3042 Dundas Street West.  
Toronto, ON M6P 1Z3

Dear Ms. McKenzie:

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

The audit of the financial statements of the Junction Gardens 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.

**FINANCIAL STATEMENTS**

**Observation:**

The draft financial statements provided for audit indicated a loss of \$94,219 for the year. The draft statements and the books of accounts contained a number of basic accounting errors resulting in several audit adjustments. After recording all audit adjustments, the BIA's operating result was in fact an excess of revenue over expenditure amounting to \$90,196.

Based on the draft financial statements and accounting records provided for audit it appears that Board members are not provided periodically with accurate financial statements in order to make appropriate financial decisions.

**Recommendation:**

- 1. In order to periodically obtain accurate financial statements, consideration should be given to retaining a part-time bookkeeper to maintain the BIA books on an ongoing basis. Alternatively, the Board may provide training to the Project/Communications Coordinator.**

Management response:

Agreed with the audit recommendation. The Project Coordinator is now enrolled in an accounting program.

## CASH

Observation:

On average, throughout the year the BIA maintained a monthly balance of \$183,000 in a current account earning no interest. Consequently, the BIA lost interest income of over \$5,000 for the year.

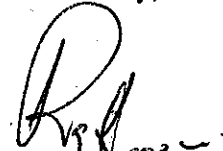
**Recommendation:**

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

Management response:

Agreed with the audit recommendation. All funds not immediately required are now invested in short-term deposits.

Yours truly,



Rafiq Dosani