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May 9, 2008

Ms. Beverley Don, Chair  
Yonge-Lawrence Village Business Improvement Area  
3219 Yonge Street  
TORONTO, ON M4N 2L3

Dear Ms. Don:

**MANAGEMENT LETTER  
YEAR ENDED DECEMBER 31, 2007**

The audit of the financial statements of the Yonge-Lawrence Village Business Improvement Area (BIA) for the year ended December 31, 2007 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.

Overall, the controls for an organization of this size were adequate and the accounting records were well maintained. Given the test nature of my audit, you will appreciate that reliance must be placed on adequate methods of internal control as the Centre'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 letters and noted that the BIA has implemented all of my recommendations.

Observation:

**CASH**

The Board has been investing cash not immediately required to generate additional revenue for the BIA activities. However, as at December 31, 2007 a large amount of cash (\$ 58,300) was maintained in the current bank account earning minimal 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:**

Agreed with the recommendation. The BIA will invest excess funds not immediately required in short-term investments.

**EMPLOYER-EMPLOYEE RELATIONSHIP**

**Observation:**

The BIA has retained a Co-ordinator to assist in the general administration of the 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 Co-ordinator could be interpreted as an employer-employee relationship.

**Recommendation:**

- 2. The Board review its current arrangement with the Co-ordinator, 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. Effective June 2008 the BIA will make payments to the Coordinator subject to statutory deductions and monthly remit the employee deductions to Canada Revenue Agency.

Yours truly,



Rafiq Dosani