

# AU7.2 Appendix BT

**RAFIQ DOSANI, B.Comm. CPA, CA**  
CHARTERED PROFESSIONAL ACCOUNTANT

90 Risebrough Avenue  
Toronto, Ontario M2M 2E3  
Telephone: (416) 221 - 4095  
Fax: (416) 221 - 4160  
E-mail: dosani23@sympatico.ca

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June 18, 2019

Mr. Tao Drayton, Chair  
West Queen West Business Improvement Area  
789 Queen Street West  
Toronto, Ontario

Dear Mr. Drayton:

## **MANAGEMENT LETTER YEAR ENDED DECEMBER 31, 2018**

The audit of the financial statements of the West Queen West Business Improvement Area (BIA) for the year ended December 31, 2018 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.

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 the recommendations. This letter provides my observations and recommendations on matters arising from the 2018 audit for your consideration.

### **Bank Reconciliations**

Observation:

The BIA has retained an accountant who writes the books on an ongoing basis. However, he does not reconcile the bank monthly. The bank is only reconciled at the end of the year. It is the BIA's responsibility to ensure that all bank transactions are accurate. If there is any discrepancy, it is the BIA's responsibility to contact the bank and have it resolved. Failure to do so may expose the BIA to financial loss.

**Recommendation:**

- 1. In order to minimize any potential financial loss; the BIA's accountant should be preparing monthly reconciliations. Any discrepancy discovered should be communicated to the bank and resolved immediately.**

Management Response:

The Board agreed with the recommendation. The Board will instruct the accountant to reconcile the bank monthly and resolve any discrepancy discovered.

**Financial Statements**

Observations:

There were no interim financial statements provided to the Board for their review and approval. During the year the Board spent significantly more on advertising and promotion than the amount budgeted. Although these expenses were approved by the Board, because the Board was not provided with interim financial statements, they were not aware of significant over expenditure.

The Board is required to provide a copy of audited financial statements to the City by April 30, of the following year. The BIA was late in providing the audited financial statements to the City.

**Recommendations:**

- 2. Periodically financial statements with actual and budget amounts should be provided to the Board for their review and approval.**
- 3. The Board should ensure that a copy of the audited financial statements is provided to the City by the established deadline.**

Management Response:

The Board agreed with the recommendations. The Board will ask the accountant to provide monthly financial statements for review and approval in order to ensure that the actual expenses are within the approved budget.

In future the Board will ensure that a copy of audited financial statements is submitted to the City within the established deadline.

## **HST**

Observation:

The BIA is entitled to an HST rebate. Although the HST recoverable is recorded properly, no HST rebate returns have been filed for last two years.

### **Recommendation:**

- 4. In order to improve cash flows, the BIA should be filing HST rebate returns every six months as required by the Canada Revenue Agency.**

Management Response:

The Board agreed with the recommendation. The HST returns will be submitted to the Canada Revenue Agency within a month.

I would like to extend my appreciation to the Executive Director and the Manager for their cooperation and assistance throughout the audit.

Yours truly,



Rafiq Dosani

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA**

**Financial Statements  
For the Year Ended December 31, 2018**

**WEST QUEEN WEST BUSINESS IMPROVEMENT AREA**  
**December 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the City of Toronto and the  
Board of Management for West Queen West Business Improvement Area

I have audited the accompanying financial statements of West Queen West Business Improvement Area, which comprise the statement of financial position as at December 31, 2018 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB).

### ***Basis for Opinion***

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

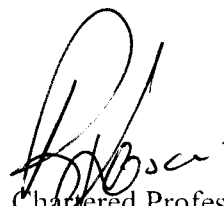
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario  
June 18, 2019

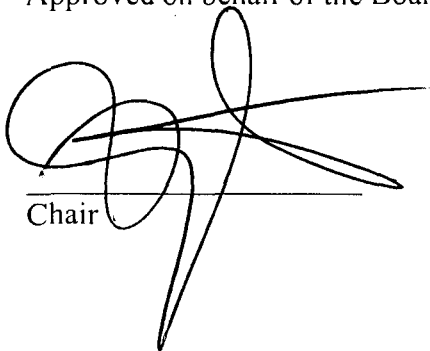
  
Chartered Professional Accountant  
Licensed Public Accountant

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018**

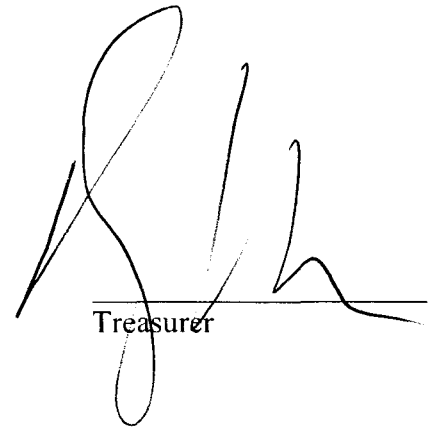
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	2018	2017
	\$	\$
<b>Financial Assets</b>		
Cash	28,543	96,066
Accounts receivable		
City of Toronto - special charges (Note 3)	25,751	16,415
Other	<u>35,534</u>	<u>16,823</u>
	<u>89,828</u>	<u>129,304</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Other	<u>3,372</u>	<u>2,920</u>
	<u>3,372</u>	<u>2,920</u>
<b>Net Financial Assets</b>	<b>86,456</b>	<b>126,384</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 4)	<u>1,600</u>	<u>4,700</u>
<b>Accumulated Surplus</b>	<b><u>88,056</u></b>	<b><u>131,084</u></b>

Approved on behalf of the Board of Management:



Chair



Treasurer



**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>2018</b> <b>\$</b> <b>Budget</b> <b>(Note 7)</b>	<b>2018</b> <b>\$</b> <b>Actual</b>	<b>2017</b> <b>\$</b> <b>Actual</b>
<b>REVENUE</b>			
City of Toronto – special levies	<u>335,004</u>	<u>336,340</u>	<u>319,412</u>
	<u>335,004</u>	<u>336,340</u>	<u>319,412</u>
<b>EXPENDITURE</b>			
Administration	105,453	83,046	90,618
Promotion and advertising	72,700	153,583	86,270
Maintenance	135,000	125,796	117,667
Amortization	-	3,100	11,340
Provision for uncollected levies (Note 3)	<u>21,851</u>	<u>13,843</u>	<u>16,140</u>
	<u>335,004</u>	<u>379,368</u>	<u>322,035</u>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>(43,028)</b>	<b>(2,623)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>131,084</u>	<u>131,084</u>	<u>133,707</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>131,084</u>	<u>88,056</u>	<u>131,084</u>

**THE BOARD OF MANAGEMENT FOR  
 WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
 STATEMENT OF CHANGES IN NET FINANCIAL ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Surplus (deficit) for the year	(43,028)	(2,623)
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	<u>3,100</u>	<u>11,340</u>
	(39,928)	8,717
Balance - Beginning of year	<u>126,384</u>	<u>117,667</u>
Balance - End of year	<u><u>86,456</u></u>	<u><u>126,384</u></u>

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Surplus (deficit) for the year	(43,028)	(2,623)
<b>Non-cash changes to operations</b>		
Add: Non-cash item Amortization of capital assets	3,100	11,340
Increase (decrease) resulting from changes in		
Accounts receivable - City of Toronto	(9,335)	13,302
Accounts receivable – other	(18,711)	7,776
Accounts payable – other	<u>452</u>	<u>(215)</u>
<b>Cash Provided By (Used In) Operations</b>	(67,522)	29,580
<b>Cash, Beginning Of Year</b>	<u>96,066</u>	<u>66,486</u>
<b>Cash, End Of Year</b>	<u>28,544</u>	<u>96,066</u>

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**1. ESTABLISHMENT AND OPERATIONS**

West Queen West Business Improvement Area (BIA) is established as a Business Improvement Area under the management and control of a Board of Management appointed by Council of the City of Toronto.

The Board is entrusted with the improvements, beautification and maintenance of municipally owned lands, buildings and structures in the area, together with the promotion of the area as a business or shopping area. Funding is provided by property owners of the BIA who are levied a special charge based on an annual operating budget prepared by the Board and approved by Council under Section 220(17) of the Municipal Act, as amended.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB), the most significant of which are as follows:

**Revenue recognition:**

The BIA receives special charges from its members which are levied and collected by the City of Toronto. It also receives cash donations and sponsorships from corporate and private donors and grants from local, provincial and federal governments for events and festivals. Revenue is being recorded upon the signing of contracts and when collection can be reasonably ascertained.

**Short-term Investments:**

Short-term investments are highly liquid financial instruments with original maturities greater than three months but less than one year and are classified as "short-term" investments. BIA classifies short-term investments as current assets and reports them at their fair market value.

**Capital assets:**

Purchased capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Flags & Banners	3 years	Equipment	5 years
Street Signs / Furniture	5 years	Street Scape	5 years
Planters	5 years	Lights	5 years

**Contributed services:**

Services provided without charge by the City of Toronto and others are not recorded in these financial statements.

**Financial instruments:**

Financial instruments are recorded at the approximated fair value.

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS, CONT'D  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Use of estimates:**

The preparation of these financial statements in accordance with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include determining the useful lives of tangible capital assets for amortization, the allowance for uncollectible levies and accounts receivable and contingent liabilities. Actual results could differ from management's best estimates, as additional information becomes available in the future.

**3. CITY OF TORONTO – SPECIAL CHARGES**

Special charges levied by the City are collected and remitted to the Board by the City. The total special charges outstanding consist of amounts collected by the City not yet remitted to the Board and amounts uncollected by the City.

The Board records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City of Toronto are comprised of:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Total special charges outstanding	45,551	29,915
Less: allowance for uncollected special charges	<u>(19,800)</u>	<u>(13,500)</u>
Special charges receivable	<u>25,751</u>	<u>16,415</u>

The provision for uncollected levies reported on the Statement of Operations and Accumulated Surplus comprises of:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Special charges written-off	7,543	10,740
Change in allowance for uncollected special charges	<u>6,300</u>	<u>5,400</u>
	<u>13,843</u>	<u>16,140</u>

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS, CONT'D  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**4. CAPITAL ASSETS**

	<b>2018</b>			
	<b>Planters</b>	<b>Banners</b>	<b>Lights</b>	<b>Total</b>
<b>Cost</b>				
Beginning	142,985	4,500	7,998	155,483
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Ending</b>	<u><b>142,985</b></u>	<u><b>4,500</b></u>	<u><b>7,998</b></u>	<u><b>155,483</b></u>
<b>Accumulated Amortization</b>				
Beginning	142,985	3,000	4,798	150,783
Amortization	-	1,500	1,600	3,100
Disposals	-	-	-	-
<b>Ending</b>	<u><b>142,985</b></u>	<u><b>4,500</b></u>	<u><b>6,398</b></u>	<u><b>153,883</b></u>
<b>Net Book Value</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>1,600</b></u>	<u><b>1,600</b></u>

	<b>2017</b>			
	<b>Planters</b>	<b>Banners</b>	<b>Lights</b>	<b>Total</b>
<b>Cost</b>				
Beginning	142,985	4,500	7,998	155,483
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Ending</b>	<u><b>142,985</b></u>	<u><b>4,500</b></u>	<u><b>7,998</b></u>	<u><b>155,483</b></u>
<b>Accumulated Amortization</b>				
Beginning	134,745	1,500	3,198	139,443
Amortization	8,240	1,500	1,600	11,340
Disposals	-	-	-	-
<b>Ending</b>	<u><b>142,985</b></u>	<u><b>3,000</b></u>	<u><b>4,798</b></u>	<u><b>150,783</b></u>
<b>Net Book Value</b>	<u><b>-</b></u>	<u><b>1,500</b></u>	<u><b>3,200</b></u>	<u><b>4,700</b></u>

**THE BOARD OF MANAGEMENT FOR  
WEST QUEEN WEST BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS, CONT'D  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**5. INSURANCE**

The Board is required to deposit with the Treasurer, City of Toronto, insurance policies indemnifying the City against public liability and property damage in respect of the activities of the Board. Insurance coverage providing \$5,000,000 for each occurrence or accident has been obtained by the Board, through the City of Toronto.

**6. FINANCIAL INSTRUMENTS**

The carrying value of cash and short-term investments, accounts receivable, due from and to City of Toronto, accounts payable and accrued liabilities reflected in the statement of financial position approximate their respective fair value, due to the relatively short term nature of the instruments.

**7. BUDGET**

Budget Figures are provided for comparative purposes only and have not been subject to audit procedures.