

Appendix Q

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

December 14, 2020

Mr. Safa Nematy, Chair
Wychwood Village Business Improvement Area
Toronto, Ontario

Dear Mr. Nematy:

MANAGEMENT LETTER YEAR ENDED DECEMBER 31, 2019

The audit of the financial statements of the Wychwood Village Business Improvement Area (BIA) for the year ended December 31, 2019 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 2019.

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 noted some issues which require the new Board's attention. This letter provides my observations and recommendations on matters arising from the 2019 audit for your consideration.

At this time, for purposes of clarity, I would like to mention that a 'New' Management Board was created as of November 2020, with two new officers being elected for Chair and Treasurer, Safa Nematy and Tony Diodati, respectively.

The following observations reflect the conditions which prevailed *under the "previous Board"*.

Financial Statements

Observations:

There were no interim financial statements provided to the Board for its review and approval. Interim financial statements would periodically inform the Board of the BIA's financial operating performance and status in relation to its approved budget.

The Board was required to provide a copy of the 2019 audited financial statements to the City by October 1, 2020. The BIA is late in providing the audited financial statements to the City.

Recommendations:

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

Response of 'New' Management:

Our BIA was inactive for a couple of years and little activity occurred during this period. In order to activate the BIA, in November 2020, the Board elected two new Executive Officers. I, (Safa Nematy) assumed the responsibility of the BIA Chair. It is the intention of the new Executive Officers and Board members to implement all the recommendations and carry out the BIA activities in accordance with the approved budget.

The Board agrees with the recommendations. Previously, the BIA did not have a bookkeeper to write up the books during the year. The new Board will hire a part-time bookkeeper to write up the books and to provide monthly financial statements for review and approval.

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 were filed for the previous three years.

Recommendation:

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

Response of 'New' Management:

The Board agrees with the recommendation. As soon as the Board hires a bookkeeper the HST returns will be submitted to the Canada Revenue Agency. In future the BIA will ensure that the HST returns are submitted to the Canada Revenue Agency on a timely basis.

EMPLOYER-EMPLOYEE RELATIONSHIP

Observation:

The former Chair, Caroline Gilligan, hired a Co-ordinator 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". 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 the employee and report the employee's income and deductions on the appropriate return to CRA. 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:

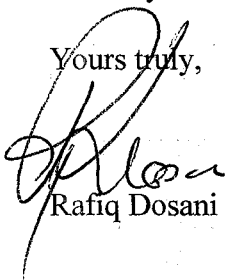
- 4. The Board review its current arrangement with the Co-ordinator, with a view to ensuring that, where an employer-employee relationship exists, its obligations under the Canada Revenue Agency regulations are met.**

Response of 'New' Management:

As recommended the Board will review the Canada Revenue Agency Guidelines and will undertake to withhold deductions at source, as deemed necessary. The Co-ordinator has admitted that he does not operate as a business. Accordingly without a business number and registered business he neither collects nor remits HST. Our Board agrees that by (CRA) definition, he is an employee and we'll continue our engagement with him accordingly.

I will be available to discuss my observations and recommendations with the Board members at a mutually convenient time.

Yours truly,



Rafiq Dosani

**THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS
BUSINESS IMPROVEMENT AREA**

**Financial Statements
For the Year Ended December 31, 2019**

**WYCHWOOD HEIGHTS
BUSINESS IMPROVEMENT AREA**

DECEMBER 31, 2019

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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 Wychwood Heights Business Improvement Area

Opinion

I have audited the financial statements of Wychwood Heights Business Improvement Area (BIA), which comprise the statement of financial position as at December 31, 2019, 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 BIA as at December 31, 2019 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 of the BIA 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 BIA'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.

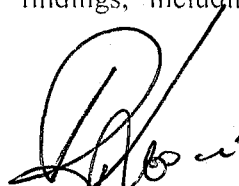
Auditor's Responsibilities for the Audit of the Financial Statements

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 scepticism 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
December 14, 2020


Chartered Professional Accountant
Licensed Public Accountant

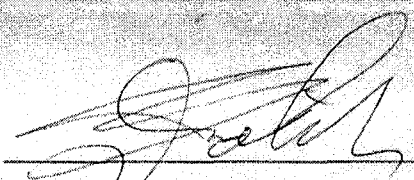
THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash	126,503	104,933
Short-term investments (Note 3)	211,796	208,506
Accounts receivable		
City of Toronto – special charges (Note 4)	-	-
Other	11,090	8,238
	349,389	321,677
LIABILITIES		
Accounts payable and accrued liabilities		
City of Toronto – Special charges (Note 4)	26,734	2,086
City of Toronto	33,354	33,354
Other	2,350	1,650
	62,438	37,090
NET FINANCIAL ASSETS	286,951	284,587
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 5)	1,277	1,915
ACCUMULATED SURPLUS	288,228	286,502

Approved on behalf of the Board of Management:



Chair SAFA NEMATI



Treasurer

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 \$ Budget (Note 9)	2019 \$ Actual	2018 \$ Actual
REVENUE			
City of Toronto – special charges	60,244	60,244	75,085
Interest and other	-	3,290	2,798
	60,244	63,534	77,883
EXPENSES			
Administration	11,318	6,916	10,925
Promotion and advertising	26,600	-	617
Maintenance	57,600	24,880	13,989
Capital (Note 8)	25,000	-	-
Amortization	-	638	4,384
Provision for uncollected special charges (Note 4)	5,477	29,374	8,202
	125,995	61,808	38,117
SURPLUS (DEFICIT) FOR THE YEAR	(65,751)	1,726	39,766
ACCUMULATED SURPLUS, BEGINNING OF YEAR	286,502	286,502	246,736
ACCUMULATED SURPLUS, END OF YEAR	220,751	288,228	286,502

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 \$	2018 \$
Surplus for the year	1,726	39,766
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	638	4,384
	2,364	44,150
Balance - Beginning of year	284,587	240,437
Balance - End of year	<u>286,951</u>	<u>284,587</u>

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Surplus (deficit) for the year	1,726	39,766
Non-cash changes to operations		
Add: Non-cash item Amortization of capital assets	638	4,384
Increase (decrease) resulting from changes in		
Accounts receivable - City of Toronto	-	4,844
Accounts receivable – other	(2,852)	(1,787)
Accounts payable - City of Toronto	24,648	-
Accounts payable – other	700	(200)
Cash Provided By Operations	24,860	47,007
Investing Activities		
Purchase of tangible capital assets	-	-
(Increase) decrease in Short-term Investments	(3,290)	(2,798)
Cash, Beginning Of Year	104,933	60,724
Cash, End Of Year	126,503	104,933

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. ESTABLISHMENT AND OPERATIONS

The Wychwood Heights 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.

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:

Street & Christmas lights	5 years
Planters	5 years
Flags & Banners	3 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.

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 report them at their fair market value.

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2019

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. SHORT-TERM INVESTMENTS

Short-term investments consist of guaranteed investment certificates with the TD Bank. These investments bear interest at the rate of ranging from 1.22% - 2.15% per annum and will be maturing in 2020.

4. 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 (payable) net of an allowance for uncollected amounts. The special charges receivable (payable) from the City of Toronto are comprised of:

	2019	2018
	\$	\$
Total special charges outstanding	37,966	34,214
Less: allowance for uncollected special charges	(64,700)	(36,300)
Special charges receivable (payable)	<u>(26,734)</u>	<u>(2,086)</u>

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

	2019	2018
	\$	\$
Special charges written-off (recovered)	974	1,102
Change in provision for losses on assessment appeals	28,400	7,100
	<u>29,374</u>	<u>8,202</u>

THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2019

5. CAPITAL ASSETS

	2019		
	Lights	Planters	Total
Cost			
Beginning	79,618	3,189	82,807
Additions	-	-	-
Disposals	-	-	-
Ending	79,618	3,189	82,807
Accumulated Amortization			
Beginning	79,618	1,274	80,892
Amortization	-	638	638
Disposals	-	-	-
Ending	79,618	1,912	81,530
Net Book Value	-	1,277	1,277

	2018		
	Lights	Planters	Total
Cost			
Beginning	79,618	3,189	82,807
Additions	-	-	-
Disposals	-	-	-
Ending	79,618	3,189	82,807
Accumulated Amortization			
Beginning	75,871	637	76,508
Amortization	3,747	637	4,384
Disposals	-	-	-
Ending	79,618	1,274	80,892
Net Book Value	-	1,915	1,915

**THE BOARD OF MANAGEMENT FOR THE
WYCHWOOD HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2019**

6. 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.

7. FINANCIAL INSTRUMENTS

The carrying value of the BIA's financial instruments approximates their values. The BIA is subject to an interest rate risk with respect to its investments; however, as these instruments are short-term investments the risk is minimal.

8. CAPITAL EXPENSES

In order to finance major capital expenses the BIA annually budgets certain amounts and accumulates them as surplus. Once adequate funds have accumulated, the BIA undertakes cost-shared capital improvement projects with the City. For this reason the actual expenses in a given year could significantly differ from the amount budgeted for the year. Any excess actual capital expenses are financed out of the accumulated surplus.

9. BUDGET

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