

Business Improvement Areas – Update on 2020-2022 Audited Financial Statements

Date: June 22, 2023

To: Audit Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

The purpose of this report is to present the City of Toronto's (City) Business Improvement Areas' (BIAs) audited financial statements and management letters for approval. The below table summarizes the approval statuses associated with the BIAs' financial information:

Number of BIAs:	Fiscal 2020:	Fiscal 2021:	Fiscal 2022:
Included in this report	21	84	14
To be included in future reports	-	-	70
Included and approved in previous reports (see Decision History)	61	-	-
Total number of active BIAs	82	84*	84

*: In 2021, two new BIAs, Lawrence Ingram Keele BIA and Willowdale BIA, were established, and the Toronto Entertainment District BIA changed its name to the Toronto Downtown West District BIA.

The 2022 audited financial statements and management letters for 70 other BIAs are in the process of being prepared, audited, or awaiting approval of the respective BIA Boards of Management (Boards).

All of the in-scope BIAs have received an unqualified audit opinion for their financial statements. Several BIAs received audit recommendations for minor internal control and process improvements that have been accepted by the respective Boards – these audit recommendations can be found in the attached management letters (i.e. Appendices A to DS).

RECOMMENDATIONS

General Manager, Economic Development and Culture recommend that:

1. City Council approve the 2020, 2021, and 2022 audited financial statements and management letters of the Business Improvement Areas as attached in Appendices A to DS to this report.

FINANCIAL IMPACT

In accordance with Chapter 19 of the Toronto Municipal Code all financial statements submitted by the BIA's have been received in the form required by the Chief Financial Officer and Treasurer. The financial statements included in this report represent the year-end financial position and results of operations based on management activities for the prior years noted and are presented to Audit Committee as required by the City's Municipal Code. As a result, there are no current or known future year financial impacts arising from the recommendation contained in this report.

The BIA is an association, independently managed by the BIAs and not economically dependent on the City. It is operated by local businesses and property owners, joining together to organize, finance, and deliver capital streetscape improvements, and to promote economic development in a district with its own governance structure as set out in Chapter 19 of the Toronto Municipal Code and the City of Toronto Act, 2006. Financing of individual BIA Operating Budgets is raised by a special levy on the commercial and industrial properties within the respective BIA boundaries.

As directed by City Council at its meeting on July 19, 2022, Economic Development and Culture staff will undertake additional review and consultation on issues impacting BIAs, including the potential for further amendments to the Municipal Code, Chapter 19, Business Improvement Areas. The review is currently underway and the scope of the review will assess the requirement for maintaining a minimum balance in the BIA accumulated surplus reserves in order to ensure prudent stewardship of public resources and further strengthen financial management and oversight, among other business matters. Based on the outcome of the review, City staff will report back with recommendations to City Council by the fourth quarter of 2023 or first quarter of 2024.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information as identified in this section.

DECISION HISTORY

In accordance with Chapter 19-4.3 of the City Municipal Code, each BIA Board is required to approve and submit its audited financial statements annually to City Council for approval.

Below is a link to the 2020 financial statements and management letters presented to the Audit Committee in 2021. No similar reports have been presented to the Audit Committee in 2022:

<https://secure.toronto.ca/council/agenda-item.do?item=2021.AU9.21>

<https://secure.toronto.ca/council/agenda-item.do?item=2021.AU10.12>

At its meeting on July 19, 2022, City Council directed the General Manager, Economic Development and Culture, to conduct additional review and consultation on other issues impacting Business Improvement Areas, including the potential for further amendments to the Municipal Code, Chapter 19, Business Improvement Areas, and report back by the fourth quarter of 2023 based on the outcomes of the By-law's review:

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EC31.12>

COMMENTS

This report includes the audited financial statements and management letters for fiscal years 2020 to 2022 that have been approved by the respective Boards of the BIAs. A similar report was not presented in 2022 due to the timing of the City Council election and when the BIAs' financial statements and year-end audit results were available. Unqualified audit opinions were issued to all of the BIAs' audited financial statements. A copy of these documents are attached to this report as Appendices A to DS.

The 2022 audited financial statements and management letters for 70 other BIAs are in the process of being prepared, audited, or awaiting approval of the respective Boards. The financial results of these BIAs will be presented at the next available Audit Committee meeting.

Management Letter Issues

In determining the fair presentation of each BIA's financial statements, external auditors perform audit procedures that include a review of third-party supporting documents, support for estimates included, and an assessment of applicable internal controls. Improvement opportunities to enhance internal controls, record keeping or operations are submitted to the respective Boards as a management letter. Each BIA and their respective Board are ultimately responsible for determining whether they will implement the external auditors' recommendations.

Several of the BIAs received a management letter from their respective auditors. Improvement opportunities were considered to be minor in nature and consisted largely of measures aimed to strengthen internal controls and operations. A summary of management letters issued by the BIAs' external auditors is available in the below table. Improvement opportunities that appear to be recurring in nature are presented as **bolded** items.

BIA:	Fiscal Year:	Management Letter:
Bloor Annex	2020	<p>The BIA was advised to:</p> <ul style="list-style-type: none"> • Hire an independent coordinator to support the BIA's activities. • Secure an alternative office space to comply with the City's conflict of interest policy. • Ensure cheques are signed by two independent signing officers. • Update internal processes to ensure compliance with the CRA guidelines and recognize HST rebates on a timely basis.
Mirvish Village	2020	<p>The BIA was advised to:</p> <ul style="list-style-type: none"> • Secure an alternative office space to comply with the City's conflict of interest policy. • Ensure cheques are signed by two independent signing officers.
Wychwood Village	2020	<p>The BIA was advised to:</p> <ul style="list-style-type: none"> • Gain access to prior years' records from previous Board members to comply with the City's document retention policy. • Provide the Board's minutes and detailed budget during future audits. • Ensure cheques are signed by two independent signing officers.
Bloor Annex	2021	<p>The BIA was advised to:</p> <ul style="list-style-type: none"> • Create and maintain an employment contract for the General Manager. • Ensure cheques are signed by two independent signing officers (originally issued in 2020). • Update internal processes to ensure compliance with the CRA guidelines (consists of items originally issued in 2020). • Complete the year-end audit and provide the audited financial statements to the City on a timely basis.
York-Eglinton	2021	<p>The BIA was advised to:</p> <ul style="list-style-type: none"> • Complete the year-end audit and provide the audited financial statements to the City on a timely basis. • Prepare a cash flow statement and invest funds not required for short-term purposes to earn interest income (originally issued in 2020).

There are no other management letter issues identified for any of the other BIAs by their respective auditors.

CONTACT

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SIGNATURE

Pat Tobin
General Manager, Economic Development and Culture

ATTACHMENTS

Appendix A - Multiple Business Improvement Areas - Management Letters (2020)
Appendix B - Albion Islington Square Financial Statements (2020)
Appendix C - Bloor Annex Financial Statements and Management Letter (2020)
Appendix D - Bloorcourt Village Financial Statements (2020)
Appendix E - CityPlace and Fort York Financial Statements (2020)
Appendix F - Dovercourt Village Financial Statements (2020)
Appendix G - Junction Gardens Financial Statements (2020)
Appendix H - Kennedy Road Financial Statements (2020)
Appendix I - Long Branch Financial Statements (2020)
Appendix J - Mimico by the Lake Financial Statements (2020)
Appendix K - Mimico Village Financial Statements (2020)
Appendix L - Mirvish Village Financial Statements and Management Letter (2020)
Appendix M - Regal Heights Village Financial Statements (2020)
Appendix N - Rogers Road Financial Statements and Management Letter (2020)
Appendix O - The Beach Financial Statements (2020)
Appendix P - Trinity Bellwoods Financial Statements and Management Letter (2020)
Appendix Q - Village of Islington Financial Statements (2020)
Appendix R - West Queen West Financial Statements (2020)
Appendix S - Weston Village Financial Statements (2020)
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Appendix V - Yonge and St. Clair Financial Statements (2020)
Appendix W - Multiple Business Improvement Areas - Management Letters (2021)
Appendix X - Albion Islington Square Financial Statements (2021)
Appendix Y - Baby Point Gates Financial Statements (2021)
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Appendix AA - Bloor Annex Financial Statements and Management Letter (2021)
Appendix AB - Bloor by the Park Financial Statements (2021)
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Appendix AD - Bloor West Village Financial Statements (2021)
Appendix AE - Bloor Yorkville Financial Statements (2021)
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Appendix AG - Bloordale Village Financial Statements and Management Letter (2021)
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Appendix AM - College Promenade Financial Statements (2021)
Appendix AN - College West Financial Statement (2021)
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Appendix AP - Crossroads of the Danforth Financial Statements (2021)
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Appendix BI - Korea Town Financial Statements (2021)
Appendix BJ - Lakeshore Village Financial Statements and Management Letter (2021)
Appendix BK - Lawrence Ingram Keele Financial Statements and Management Letter (2021)
Appendix BM - Leslieville Financial Statements (2021)
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Appendix CG - Roncesvalles Village Financial Statements (2021)
Appendix CH - Rosedale Main Street Financial Statements (2021)
Appendix CI - Sheppard East Village Financial Statements (2021)
Appendix CJ - ShoptheQueensway.com Financial Statements (2021)
Appendix CK - St. Clair Gardens Financial Statements (2021)
Appendix CL - St. Lawrence Market Neighbourhood Financial Statements (2021)
Appendix CM - The Beach Financial Statements (2021)
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Appendix DQ - Toronto Financial District Financial Statements and Management Letter (2022)

Appendix DR - The Waterfront Financial Statements (2022)

Appendix DS - Willowdale Financial Statements (2022)