

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

FINANCIAL STATEMENTS

DECEMBER 31, 2025

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

DECEMBER 31, 2025

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MANAGEMENT'S REPORT

The management of the Downtown Yonge Business Improvement Area ("the BIA") is responsible for the integrity, objectivity and accuracy of the financial information presented in the the accompanying financial statements.

The financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 2 to the financial statements. The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure proper authorization of transactions, the safeguarding of assets and the integrity of the financial data, maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded and that financial records are reliable, for the preparation of these financial statements. The BIA employs highly qualified professional staffs and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Finance Committee, a sub-committee of the Board of Directors, reviews and recommends the approval of the financial statements before they are submitted to the City of Toronto.

The 2025 financial statements have been audited by the BIA's external auditors, Rosenswig McRae Rosso LLP. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the BIA's financial statements.

Toronto, Canada

March 26, 2026



Pauline Larsen
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Council of the Corporation of the City of Toronto and the
Board of Management for the Downtown Yonge Business Improvement Area:

Opinion

We have audited the financial statements of Downtown Yonge Business Improvement Area ("the BIA"), which comprise the statement of financial position as at December 31, 2025 and the statements of operations, net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2025 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 these financial statements, management is responsible for assessing the BIA's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the BIA or to cease operations, or has no realistic alternative to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit.

We 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 our 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 BIA'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 BIA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the BIA 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

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

Toronto, Canada
March 26, 2026

RML Rossouw McKee Ross LLP

Chartered Professional Accountants
Licensed Public Accountants

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

FINANCIAL ASSETS

	<u>2025</u>	<u>2024</u>
Cash (Note 4)	\$ 625,203	\$ 1,326,500
Investments (Note 5)	4,699,196	4,035,798
Accounts receivable		
City of Toronto - special charges (Note 6)	237,638	228,080
Other	<u>306,413</u>	<u>344,966</u>
	<u>5,868,450</u>	<u>5,935,344</u>

LIABILITIES

Accounts payable and accrued liabilities	202,869	172,937
Funds held in trust (Note 4)	42,278	92,278
Deferred revenue (Note 7)	209,956	266,965
Scholarship payable	<u>4,825</u>	<u>6,425</u>
	<u>459,928</u>	<u>538,605</u>
Net financial assets	<u>5,408,522</u>	<u>5,396,739</u>

NON FINANCIAL ASSETS

Tangible capital assets (Note 8)	897,138	983,251
Prepaid expenses	<u>31,093</u>	<u>62,607</u>
	<u>928,231</u>	<u>1,045,858</u>
Accumulated surplus (Note 9)	<u>\$ 6,336,753</u>	<u>\$ 6,442,597</u>

Approved on behalf of the Board of Management:


_____, Chair


_____, Treasurer

See accompanying notes.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>		<u>2024</u>
	<u>Actual</u>	<u>Budget</u> (Note 13)	
Revenue			
City of Toronto - special charges	\$ 3,101,587	\$ 3,101,059	\$ 3,044,945
Other income	355,863	155,000	285,140
Grants	261,704	70,000	465,960
Advertising and sponsorships	<u>88,800</u>	<u>105,000</u>	<u>134,169</u>
	<u>3,807,954</u>	<u>3,431,059</u>	<u>3,930,214</u>
Expenses			
Administration	1,296,773	1,275,000	1,215,943
Festivals and events	781,494	526,000	641,976
Maintenance	749,012	911,300	868,234
Promotion and advertising	560,150	399,000	382,766
Streetscape improvements	410,748	495,000	381,769
Provision for levies in appeals	29,508	281,914	77,822
Amortization	<u>86,113</u>	<u>-</u>	<u>86,113</u>
	<u>3,913,798</u>	<u>3,888,214</u>	<u>3,654,623</u>
Annual (deficit) surplus	\$ <u>(105,844)</u>	\$ <u>(457,155)</u>	<u>275,591</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2025

	<u>2025</u>		<u>2024</u>
	<u>Actual</u>	<u>Budget</u>	
Annual (deficit) surplus	(105,844)	(457,155)	275,591
Amortization of tangible capital assets	86,113	-	86,113
Change in prepaid expenses	<u>31,514</u>	<u>-</u>	<u>(39,120)</u>
Change in net financial assets	11,783	(457,155)	322,584
Net financial assets, beginning of year	<u>5,396,739</u>	<u>5,396,739</u>	<u>5,074,155</u>
Net financial assets, end of year	<u><u>5,408,522</u></u>	<u><u>4,939,584</u></u>	<u><u>5,396,739</u></u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Cash from operating activities		
Annual (deficit) surplus	\$ (105,844)	\$ 275,591
Adjustments for:		
Amortization	<u>86,113</u>	<u>86,113</u>
	(19,731)	361,704
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	(9,558)	(282)
Other	38,553	(92,769)
Decrease (increase) in prepaid expenses	31,514	(39,120)
Decrease (increase) in accounts payable and accrued liabilities	29,932	(29,113)
Decrease in amounts held in trust	(50,000)	-
Decrease (increase) in deferred revenue	(57,009)	119,465
Decrease in scholarship payable	<u>(1,600)</u>	<u>(1,600)</u>
	<u>(37,899)</u>	<u>318,285</u>
Cash flows from investing activities		
Purchase of investments	<u>(663,398)</u>	<u>(1,514,669)</u>
Decrease in cash position	(701,297)	(1,196,384)
Cash, beginning of year	<u>1,326,500</u>	<u>2,522,884</u>
Cash, end of year	\$ <u><u>625,203</u></u>	\$ <u><u>1,326,500</u></u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Establishment of operations

The Downtown Yonge Business Improvement Area was designated as a business improvement area through By-Law 27-2001 enacted on February 1, 2001. The appointment of members to a Board of Management ("Board") to manage the Business Improvement Area ("BIA") was approved by Council of the City of Toronto on June 28, 2001.

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, through property tax billings, based on an annual operating budget prepared by the Board and approved by Council as required by Section 220 (17) of the Municipal Act, as amended.

2. Significant accounting policies

The financial statements of the BIA are prepared by management in accordance with Canadian public sector accounting standards ("CPSAS") as recommended by the Public Sector Accounting Board ("PSAS") of the Canadian Professional Accountants. The significant accounting policies are summarized as follows:

a) Accrual basis of accounting

Expenditures are recorded on the accrual basis, whereby they are reflected in the financial statements in the period in which they have been incurred, whether or not such transaction have been settled by payment of money.

b) Revenue recognition

The BIA recognizes revenue as follows:

- i) City of Toronto special charges - revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.
- ii) Advertising, sponsorship and grants - revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- iii) Other income - revenue is recognized when earned.
- iv) Restricted funding is recognized as deferred revenue when received, and subsequently recognized as revenue when the funds have been spent in accordance with funding agreements.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

2. Significant accounting policies (continued)

c) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition, plus related transaction costs.

d) Use of estimates

The preparation of financial statements in conformity with CPSAS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

e) Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated at a rate that, in the opinion of management, allocates the cost of such assets over their estimated useful lives. The BIA records amortization using the following annual rates and methods:

Streetscape fixtures	-	10 - 30 year straight-line
Holiday decor	-	3 - 10 year straight-line
Leasehold improvements	-	over the remaining lease life
Furniture and equipment	-	3 - 5 year straight-line
Computer equipment	-	3 year straight-line

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

3. Future accounting pronouncements

The Management continues to assess the impact of the following upcoming changes to PSAS on its statements.

Standards applicable for fiscal years beginning on or after April 1, 2026 (effective for the BIA's fiscal year beginning on January 1, 2027):

The Conceptual Framework for Financial Reporting in the Public Sector – The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. It will replace the conceptual aspects of PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives.

PS 1202 Financial Statement Presentation – The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. PS 1202 will replace current Section PS 1201 Financial Statement Presentation. The impact of these standards on the Statements is not reasonably determinable at this time.

4. Cash

The BIA received funds from the City of Toronto for a special project for Culture, Art and Recreation Programs in Ward 13. The funds are restricted in use and intended to be allocated to local programs and projects in consultation with the Ward 13 Councilor. At year end, the funds held in trust related to this initiative was \$42,278 (2024 - \$92,278).

There are additional restricted funds as described in Note 7.

5. Investments

Investments consist of amounts invested in a guarantee investment certificates (GIC) and a savings account. Interest on these investments range from 2.90% - 3.24%. The GIC's mature between March and August 2026.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

6. City of Toronto - special charges

Special charges levied by the City of Toronto ("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 BIA records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City of Toronto are comprised of:

	<u>2025</u>	<u>2024</u>
Total special charges outstanding	\$ 279,788	\$ 274,180
Less: Allowance for special charges in appeals	<u>(42,150)</u>	<u>(46,100)</u>
Special charges receivable	<u>\$ 237,638</u>	<u>\$ 228,080</u>

The City decreased allowances for special charges by \$3,950 (2024 - decreased by \$9,700) for uncollectable amounts. The City also wrote off \$33,458 of levies during the year (2024 - \$87,522) .

7. Deferred revenue

Deferred revenue consists of:

	<u>Opening</u>	<u>Additions</u>	<u>Recognized as Revenue</u>	<u>Closing</u>
Federal grant	105,000	-	(105,000)	-
Municipal grants	41,965	151,000	(93,009)	99,956
Private grant	<u>120,000</u>	<u>-</u>	<u>(10,000)</u>	<u>110,000</u>
	<u>\$ 266,965</u>	<u>\$ 151,000</u>	<u>\$ (208,009)</u>	<u>\$ 209,956</u>

The municipal grants are from the City of Toronto related to the SafeTO Grant Program. The private grant relates to the Friars Music Museum. All deferred revenues are for services expected to be completed in 2026.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

8. Tangible capital assets

Cost	2024	2025		
	Opening	Additions	Disposals	Closing
Streetscape fixtures	\$ 2,485,250	\$ -	\$ -	\$ 2,485,250
Holiday decor	301,769	-	-	301,769
Leasehold improvements	122,498	-	-	122,498
Furniture and equipment	<u>77,855</u>	<u>-</u>	<u>-</u>	<u>77,855</u>
	<u>\$ 2,987,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,987,372</u>
Accumulated Amortization	2024	2025		
	Opening	Disposals	Amortization	Closing
Streetscape fixtures	\$ 1,501,999	\$ -	\$ 86,113	\$ 1,588,112
Holiday decor	301,769	-	-	301,769
Leasehold improvements	122,498	-	-	122,498
Furniture and equipment	<u>77,855</u>	<u>-</u>	<u>-</u>	<u>77,855</u>
	<u>\$ 2,004,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,090,234</u>
<u>Net Book Value</u>		<u>2024</u>	<u>2025</u>	
Streetscape fixtures		<u>\$ 983,251</u>	<u>\$ 897,138</u>	

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

9. Accumulated surplus

	2025		
	<u>Operating Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 5,459,346	\$ 983,251	\$ 6,442,597
Annual surplus	(105,844)	-	(105,844)
Amortization	<u>86,113</u>	<u>(86,113)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 5,439,615</u>	<u>\$ 897,138</u>	<u>\$ 6,336,753</u>

	2024		
	<u>Operating Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 5,097,636	\$ 1,069,364	\$ 6,167,002
Annual surplus	275,595	-	275,595
Amortization	<u>86,113</u>	<u>(86,113)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 5,459,346</u>	<u>\$ 983,251</u>	<u>\$ 6,442,597</u>

\$1,500,000 of the operating surplus has been internally restricted for public realm upgrades related to the YongeTOmorrow project. An additional \$1,500,000 has been internally restricted in the event of unforeseen circumstances impacting the ability of the BIA to continue operations. The remainder of the operating surplus is unrestricted.

10. Contractual commitments

- a) The Board, in co-operation with the City, agrees to annual cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually completed subsequent to the year of Council's approval. As at December 31, 2025 the BIA has \$3,162 (2024 - \$nil) of outstanding commitments to the City relating to ongoing capital improvement project to be completed in 2026.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. Contractual commitments (continued)

- b) The BIA has contractual commitments to minimum annual operating payments for their office premises, IT support, service contracts and real estate software subscriptions as follows:

2026	\$	464,955
2027		<u>201,756</u>
	\$	<u><u>666,711</u></u>

11. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, investments, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, funds held in trust, deferred revenue and scholarship payable. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments. Long-term investments are recorded at cost.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of investments disclosed in Note 5.

c) Liquidity risk

Liquidity risk is the risk that the BIA will encounter difficulties in meeting obligations associated with financial liabilities. The BIA manages its liquidity risk by maintaining sufficient readily available funds in order to meet its liquidity requirements at any point in time.

There are no changes to the above noted risks from the prior year.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

12. Insurance

The BIA is required to deposit with the City 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.

13. 2025 Budget

The 2025 budget figures on the statement of operations are presented for information purposes only and are not commented on by the independent audit opinion of Rosenswig McRae Rosso LLP dated March 26, 2026.

14. Annual surplus

The City of Toronto requires the BIA to budget tangible capital assets as annual expenditures. Through the year as assets are purchased they are capitalized and amortized over their useful lives. No capital assets were purchased this year (2024 - nil). The annual (deficit) surplus without amortization of \$86,113 (2024 - 86,113) is \$(19,731) (2024 - 361,704).

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Administration		
Salaries and benefits	\$ 865,545	\$ 823,975
Occupancy costs	176,538	174,451
Repairs and maintenance	85,028	60,507
Professional fees	74,771	63,097
General office	30,696	29,172
Memberships	26,998	28,128
Insurance	14,567	14,315
Travel	12,834	11,856
Utilities	6,868	6,904
Interest and bank charges	<u>2,928</u>	<u>3,538</u>
	<u>\$ 1,296,773</u>	<u>\$ 1,215,943</u>
Festivals and events		
Programming	\$ 580,073	\$ 471,961
General office	71,268	89,243
Salaries and benefits	64,925	30,551
Advertising and promotion	42,623	41,335
Consultants	<u>22,605</u>	<u>8,886</u>
	<u>\$ 781,494</u>	<u>\$ 641,976</u>
Maintenance		
Repairs and maintenance	\$ 469,470	\$ 417,256
Outreach and community safety	209,046	290,367
Occupancy costs	49,851	54,229
Utilities	15,034	14,768
Salaries and benefits	<u>5,611</u>	<u>91,614</u>
	<u>\$ 749,012</u>	<u>\$ 868,234</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Promotion and advertising		
Advertising and promotion	\$ 352,366	\$ 210,400
Consultants	151,445	129,639
General office	32,795	28,688
Meetings	<u>23,544</u>	<u>14,039</u>
	<u>\$ 560,150</u>	<u>\$ 382,766</u>
Streetscape improvements	<u>410,748</u>	<u>381,769</u>
Provision for levies in appeals	<u>29,508</u>	<u>77,822</u>
Amortization	<u>86,113</u>	<u>86,113</u>
	<u>\$ 3,913,798</u>	<u>\$ 3,654,623</u>

Chartered Professional Accountants

Associated with MGI Worldwide

March 24, 2026

Board of Directors
Downtown Yonge Business Improvement Area
40 Dundas Street West
Toronto, Ontario
M5B 2C2

Dear Board of Directors:

As part of our annual audit of your financial statements for the year ended December 31, 2025 we wish to report to you on our findings.

We wish to thank Phillip and Pauline for assisting us during the audit. Attached is our list of adjustments we have identified during the audit which have not been adjusted for. Based on our materiality of \$80,000, there are no material differences nor were there any significant unrecorded items.

We would like to report to you the following financial reporting matters:

Deferred revenues under government/private funding agreements

The BIA is able to secure secondary financing sources through restricted grants/funding agreements. We think it is best practice to summarize all outstanding agreements before year end, and reconcile revenues received/receivable as well as spending incurred. The revenues received under funding agreements should be deferred until funds are spent. Revenues not received but earned in accordance with their funding agreement milestones/deliverables should be accrued as receivable when earned. Funding received shortly after year end should be tied to funding agreements to determine when it should be recorded as revenue.

Many of these funding agreements will often require interim and/or final project spend reporting. We have discussed this concept with Phillip around utilizing internal Quickbooks reporting to separately track funds under each agreement so that reporting can be easily generated from Quickbooks to service these reporting requirements under agreements

It was also noted during our testing of the deferred grants, that the expenses related to the usage of the funds were netted against the deferred grants, instead of presenting the recognition of grant income and the utilization of the funds as income and expenses separately.

We did not identify any significant internal control matters to report.

We would like to report to you the following internal control matters:

The following are our observations and recommendations we feel could be implemented to strengthen the internal controls of your organization. This is not intended to assess the performance or proficiencies of the staff, but is intended to assist in the advancement of your organization. Our observations and related recommendations are as follows:

- a) There was no proof of review on manual journal entries that we examined. Manual journal entries are susceptible to override and errors and we were unable to determine whether internal controls were in place to review the manual journal entries. We understand there is a high volume of entries and therefore recommend that a print out of manual entries for the week or month or period determined be reviewed and have an indication of a proof of review ie. initial or signature.

We would be pleased to discuss these items with you in more detail and assist you with any such implementation that you may desire.

Yours very truly,

ROSENSWIG McRAE ROSSO LLP

A handwritten signature in black ink, appearing to read 'Dustin Jainaraine', with a stylized flourish at the end.

Dustin Jainaraine, CPA, CA
DJ/dj