



Proposal to Provide:
Financial Audit Services
December 31, 2024

Prepared for:



Contact person with regards to this proposal:
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Introduction

Thank you for providing us the opportunity to submit a proposal relating to your audit needs for the year ending December 31, 2024. As you may know our firm is currently the auditor of record for numerous BIA's and not-for-profit organizations in downtown Toronto and the Greater Toronto Area and as such, we have the required knowledge and expertise to efficiently and effectively carry out your audit. We hope that this proposal conveys our enthusiasm to work with you and build a lasting relationship.

Scope of Work

Commencing with the fiscal year ended December 31, 2024, the following services will be provided entirely by our firm's staff:

- Audited financial statements prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accountant Board ("PSAB"). See **Appendix 1** for a sample audit statement we issue to our current BIA clients.
- Provision of management letter including outline of issues (if any) pertaining to internal controls and financial systems and policies along with recommendations per BIA community best practices.
 - These BIA community best practices will be conveyed in our management letter in accordance with best practices disclosed within the *BIA Financial Operations Manual* discussed later on in this proposal. We would be happy to assist with the implementation of this *BIA Financial Operations Manual* at the individual BIA level under separate engagement(s). Depending on size/scale/knowledge at the individual BIA level, this could be anywhere from a full implementation of the manual, to providing a more simple "checklist" to BIA employees/bookkeepers of the minimum required accounting internal functions that should be performed for maintaining accurate financial records.
- A walkthrough/process audit of current internal control procedures and recommended best practices in accordance with the *BIA Financial Operations Manual*;
- Meeting(s) with the audit/finance committee and Board of Directors to review the audit statements and as otherwise needed;
- Provision of additional services as required, including but not limited to preparation of sales tax and PSB rebate filings, consulting, advisory, review of investments, payroll, remuneration and general accounting as long as our independence is not compromised;
- Advise of changes in accounting and reporting requirements.

Experience and Qualifications

Firm Experience

RMR Rosenswig McRae Rosso LLP (RMR) was established in 1980 and is a five partner, forty-five staff firm located in downtown Toronto. RMR provides consulting and assurance services to various non-profit organizations, public sector organizations, unions, professional organizations and entrepreneurs.

As auditors of multiple BIA's, we have the knowledge and expertise to efficiently and effectively carry out the audits. Most of our partners and management team have served on and/or currently serve on boards of not-for-profit organizations.

Our current and prior products and deliverables within the BIA community include but are not limited to the following:

- Audited financial statements
 - Toronto Financial District BIA (2012 – current)
 - Toronto Downtown West BIA (2008 – current)
 - Downtown Yonge BIA (2003 – current)
 - Downtown Calgary BIA (2024 – current)
- Creation of the *BIA Financial Operations Manual* (2023) (see **Appendix 2** for the manual)
 - Managed by Liberty Village BIA under the Main Street Innovation Funding program
 - Winner of the 2023 TABIA Community Management Support Award
 - The Manual was prepared in collaboration with a working group consisting of:
 - Willowdale BIA
 - Mount Pleasant Village BIA
 - Leslieville BIA
 - Yonge + St. Clair BIA
 - Church-Wellesley Village BIA
 - Kensington Market BIA
 - TABIA
 - City of Toronto BIA Office
 - City of Toronto Internal Control Office
 - The Manual was presented to City of Toronto and all 80+ member BIA's of TABIA in August 2023.
 - In January 2025 the Manual was presented to Ontario-wide BIA's on the weekly *What Matters Call* administered by Ontario Business Improvement Area Association ("OBIAA")
- Special program audit reports required under various funding agreements to which BIA's were recipients of funding.
- Operational and internal control systems audit and related recommendations for Waterfront BIA (2023)
- Training of BIA staff on how to prepare audit working papers, general accounting matters and bookkeeping.
- Advising on PSAB accounting changes;
- Liaising with BIA Board of Director members for outlining special value-add audit procedures outside of the scope of standard audit procedures

Personnel Biographies

Dustin Jainaraine CPA, CA

dustin@rmrcpa.ca

[LinkedIn](#)

Dustin will be the lead partner on your account and will oversee the planning and execution of the audits. Dustin is the primary partner on all of the firm's current BIA audit engagements. Dustin worked with the above-stated *Financial Operations Manual* working group that the City has administered to all BIA's around Toronto, for assistance with operations and financial policies. He will be able to use this experience to provide value on audit, accounting and operational matters.

Dustin received his Bachelor of Commerce from the University of Toronto in 2010 and became a Chartered Professional Accountant in 2013.

Lorraine Varga CPA, CA

lorraine@rmrcpa.ca

[LinkedIn](#)

Lorraine will be the secondary partner on the account, involved in the planning and execution of the audit and will also be available to you to provide advisory and consulting services as needed. Lorraine oversees a variety of assurance engagements including BIA audits and other not-for-profit, charity and public sector organizations at our firm and will draw upon her experience with these organizations to meet your needs.

Lorraine has served as a board member for several not-for-profits. She received her Bachelor of Commerce from the University of Toronto, and obtained her Chartered Accountant designation in 2004.

References

Below is a list of references, all from within the BIA community:

- Amy Harrell, Executive Director, Toronto Financial District (BIA auditor)
- Janice Solomon, Executive Director, Toronto Downtown West (BIA auditor)
- Pauline Larsen, Executive Director, Downtown Yonge (BIA auditor)
- Abhi Kathuria, Executive Director, Liberty Village BIA (project: *BIA Financial Operations Manual*)
- Tim Kocur, Executive Director, Waterfront BIA (project: operational and internal controls review and recommendations)
- Kay Matthews, Executive Director, Ontario Business Improvement Area Association (project: *BIA Financial Operations Manual*)

If you would like to contact these references please allow us to notify them in advance.

Methodology and Approach

An audit will be performed on the financial statements according to Canadian auditing standards. Preparation of the financial statements is the responsibility of management who will compile them in accordance with PSAB.

- We will administer a preliminary information request list to BIA management immediately after internally prepared financial statements become available. This provides BIA management a head start on preparing necessary audit documentation. We have provided a sample request list that we currently use with our BIA audit clients in the **Appendix 3** section.
- We will properly plan the audit to ensure it is efficient. We will include significant partner time at the planning stage to ensure the best approach is taken.
- Once we have constructed our audit planning, we will issue a communication letter to the BIA Board, outlining our audit approach, discussing Board needs during our audit work and providing an estimated audit timeline (see **Appendix 4** for sample pre-audit communication letter we issue to our BIA Board of Directors)
- The audit will be carried out with experienced staff on site throughout the audit.
- We will communicate both in writing and verbally with management and the Board of Directors or Finance Committee our audit approach and materiality prior to commencement of the audit;
- A risk-based approach will be used to perform the audit. The risk of material misstatement for each financial statement area will be assessed and the level of testing will be based on the assessed risk.
- We will obtain an understanding of the internal controls and where appropriate rely on the internal controls to reduce substantive work;
- The review of working papers will be complete and performed by the audit partner.
- We will liaise with the Board in order to determine if there are additional value-add procedures we can perform during the course of the standard audit at the request of the Board
- We will be available to attend the Audit Committee and Board of Director meetings pertaining to the year-end financial statements.

At the end of the audit, in addition to audited financial statements, we will deliver a post audit letter which will address any matters we believe management and the Audit Committee or Board of Directors should be aware of as well as internal control and operational recommendations. We will leverage the experience, technology and infrastructure we currently have in executing other BIA audits to provide recommendations on internal control processes, budgeting and financial performance metrics.

Fees

Proposed fees

We look to obtain synergy, efficiency and economies of scale by engaging with multiple BIA's outlined under this RFP. As such we have determined the most reasonable approach to pricing the individual audit engagements will be by placing all BIA's into one of two tiers:

- Tier 1: 2024 levies greater than \$250,000
 - o We anticipate our 2024 audit fees to be in the range of \$5,000 - \$6,000.
- Tier 2: 2024 levies less than \$250,000
 - o We anticipate our 2024 audit fees to be in the range of \$4,500 - \$5,000.

Please note the above pricing is based on key assumptions:

- The bookkeeping has been completed in standard, canned accounting software (Quickbooks, Sage, etc)
- Cash and other balance sheet accounts have been reconciled
- Electronic and/or physical record-keeping has been organized and maintained
- HST and/or PSB rebate filings have been completed. If assistance is required preparing these returns we will review pricing prior to beginning work.

The above figures are exclusive of sales tax and a reasonable out-of-pocket charge not to exceed \$250. We will work with management to improve working papers required for the year-end audit and as noted earlier in our proposal, we will provide value-add internal control recommendations we can leverage from our *BIA Financial Operations Manual*. **If our time comes in under the above noted amounts, we will reduce our fees to match the time incurred on the audit engagement.**

Per Diem Rates

Our standard hourly billing rates for the previously named individuals and staff are as follows:

| | |
|----------|---------------|
| Partners | \$375 |
| Staff | \$80 to \$110 |

Additional charges and billing procedures

We generally do not charge for minor/incidental assistance with bookkeeping/accounting/audit related issues. If we feel an issue is significant and requires extensive work, we will ensure to inform you of this in advance. We will provide you with a quotation for any significant undertakings prior to commencing work.

As noted above, we are available to you as needed throughout the year for additional services as required, including but not limited to sales tax, internal controls reviews, special audits, review of investments, payroll, remuneration and general accounting as long as our independence is not compromised.

All work performed by our firm's staff is billed at their regular billing rates. Our fees will be billed in the month following the delivery of our services and collection is expected within 30 days.

Our Commitment


At RMR all clients are provided with the same level of attention regardless of their size. Our firm values of integrity, trust, accountability and respect are present in our daily dealings with clients which contribute to our role as their trusted financial advisor. We are committed:

- To be available when you need us
- To maintain an open communication line
- To complete a thorough efficient audit of the financial statements
- To provide tax advice and any additional services on a timely basis as the need arises

We are confident in our ability to meet your needs given our current level of engagement with the BIA community, our familiarity with the financial audit of BIA entities and our current infrastructure used for executing BIA audits.

Yours very truly,

RMR ROSENSWIG McRAE ROSSO LLP



Dustin Jainaraine, CPA, CA

Appendix

- 1) Sample audit statements we issue to our BIA clients**
- 2) BIA Financial Operations Manual**
- 3) Sample preliminary information request list that we currently use with our BIA audit clients (sent at the beginning of the audit process)**
- 4) Pre-audit communication letter to Board**

BUSINESS IMPROVEMENT AREA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

FOR SAMPLE PURPOSES ONLY

BUSINESS IMPROVEMENT AREA

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Council of the Corporation of the City of Toronto, the Board of Management and Members of the Business Improvement Area:

Opinion

We have audited the financial statements of Business Improvement Area ("the BIA"), which comprise the statement of financial position as at December 31, 2023 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, 2023 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
April 17, 2024

Chartered Professional Accountants
Licensed Public Accountants

BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Cash | \$ 1,649,070 | \$ 1,641,311 |
| Investments (Note 3) | 51,496 | 50,132 |
| Accounts receivable | | |
| City of Toronto - special charges (Note 4) | 158,375 | 182,025 |
| Other | <u>61,776</u> | <u>69,356</u> |
| | <u>1,920,717</u> | <u>1,942,824</u> |

LIABILITIES

| | | |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ <u>246,205</u> | \$ <u>105,460</u> |
| Net financial assets | <u>1,674,512</u> | <u>1,837,364</u> |

NON FINANCIAL ASSETS

| | | |
|--------------------------------------|---------------------|---------------------|
| Prepaid expenses and other assets | <u>14,247</u> | <u>12,659</u> |
| Accumulated surplus (Note 4) | <u>\$ 1,688,759</u> | <u>\$ 1,850,023</u> |
| Accumulated surplus is comprised of: | | |
| Unrestricted surplus | \$ 1,288,759 | \$ 1,450,023 |
| Restricted surplus (Note 4) | <u>400,000</u> | <u>400,000</u> |
| | <u>\$ 1,688,759</u> | <u>\$ 1,850,023</u> |

Approved on behalf of the Board of Management:

_____, Chair

_____, Treasurer

BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

| | <u>2023</u> | | <u>2022</u> |
|---|---------------------|-----------------------|---------------------|
| | <u>Actual</u> | <u>Budget</u> | |
| | | Unaudited (Note 8) | |
| Revenue | | | |
| City of Toronto - special charges | \$ 1,338,696 | \$ 1,305,554 | \$ 1,320,390 |
| Interest income | 76,139 | 8,892 | 31,549 |
| Other income | <u>2,452</u> | <u>1,125</u> | <u>5,190</u> |
| | <u>1,417,287</u> | <u>1,315,571</u> | <u>1,357,129</u> |
| Expenses | | | |
| Administration | 539,587 | 521,636 | 496,114 |
| Streetscape - non cost share | 516,984 | 549,770 | 462,566 |
| Communications | 249,236 | 328,851 | 346,173 |
| Advocacy and urban realm | 267,798 | 381,815 | 276,533 |
| Provision for (recovery of) levies in appeals (Note 4) | <u>4,946</u> | <u>118,687</u> | <u>(18,421)</u> |
| | <u>1,578,551</u> | <u>1,900,759</u> | <u>1,562,965</u> |
| Annual deficit | \$ <u>(161,264)</u> | \$ <u>(585,188)</u> | \$ <u>(205,836)</u> |

BUSINESS IMPROVEMENT AREA
STATEMENT OF NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2023

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|-----------------------------|
| Annual deficit | \$ (161,264) | \$ (205,836) |
| (Increase) decrease in prepaid expense and other assets | <u>(1,588)</u> | <u> </u> |
| Change in net financial assets | (162,852) | (205,783) |
| Net financial assets, beginning of year | <u>1,837,364</u> | <u>2,043,147</u> |
| Net financial assets, end of year | <u><u>\$ 1,674,512</u></u> | <u><u>\$ 1,837,364</u></u> |

BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash from operating activities: | | |
| Annual deficit | \$ (161,264) | \$ (205,836) |
| Changes in non-cash working capital balances: | | |
| Decrease (increase) in accounts receivable | | |
| - City of Toronto - special charges | 23,650 | (19,345) |
| - Other | 7,580 | (11,034) |
| (Increase) decrease in prepaid expenses and other assets | (1,588) | 51 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>140,745</u> | <u>(88,698)</u> |
| | <u>9,123</u> | <u>(324,862)</u> |
| Cash flows used in investing activities | | |
| Acquisition of investments | <u>(1,364)</u> | <u>(132)</u> |
| Increase (decrease) in cash | 7,759 | (324,994) |
| Cash, beginning of year | <u>1,641,311</u> | <u>1,966,305</u> |
| Cash, end of year | <u>\$ 1,649,070</u> | <u>\$ 1,641,311</u> |

BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Establishment of operations

The Business Improvement Area was designated as a business improvement area by By-Law 1126-2011 enacted on September 22, 2011. 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.

The BIA promotes economic development in Toronto and strives to ensure that the city is connected, well-maintained, integrated, and accessible. 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 ("PSAB") of the Canadian Chartered Professional Accountants. The significant accounting policies are summarized as follows:

a) Accrual basis of accounting

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

b) Revenue recognition

City of Toronto special charges revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Interest income is recognized when earned.

c) 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.

BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Significant accounting policies (continued)

d) Cost-share expenditures

The Board, in co-operation with the City, agrees to cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually incorporated in a multi-year tender by the city. The BIA's share of the cost are not invoiced by the City until contracts are closed. The BIA accrues the costs in the financial statements when the invoices are received from the City. These amounts are identified in Note 7.

e) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition.

3. Investments

Investments consist of a guaranteed investment certificate earning interest of 5% annually and maturing May 2024.

4. City of Toronto - special charges

Special charges levied by the City of Toronto ("City") are collected and remitted to the BIA by the City. The total special charges outstanding consist of amounts collected by the City not yet remitted to the BIA 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>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Total special charges outstanding | \$ 182,175 | \$ 215,125 |
| Less: Allowance for special charges in appeals | <u>(23,800)</u> | <u>(33,100)</u> |
| Special charges receivable | <u>\$ 158,375</u> | <u>\$ 182,025</u> |

The City increased allowances for special charges by \$9,300 (2022 - increased by \$71,900) for uncollectable amounts. The City also wrote off \$14,246 of levies during the year (2022 - \$53,479).

BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Restricted surplus

The Board has internally restricted \$400,000 as a reserve for operations.

6. 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 \$10,000,000 for each occurrence or accident has been obtained by the Board, through the City of Toronto.

7. Contractual commitments

- a) As at December 31, 2023 the BIA had no estimated commitments outstanding relating to their previous cost-shared capital improvement projects expenditures (2022 - \$nil).
- b) The BIA has contractual commitments to minimum annual operating payments for equipment, office leases and other contractual obligations of \$48,450 in fiscal 2024.

8. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, investments, accounts receivable, prepaid expenses and other assets and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Financial instruments risks (continued)

b) 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.

9. 2023 Budget

The 2023 budget figures on the statement of operations are presented for information purposes only and are not commented on by the opinion of RMR Rosenswig McRae Rosso LLP dated April 17, 2024.

BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2023

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Salaries and benefits | \$ 558,211 | \$ 569,015 |
| Streetscape - non-cost share | 516,984 | 462,566 |
| Public realm | 113,538 | 58,100 |
| Occupancy costs | 96,461 | 90,450 |
| Marketing and promotion | 95,776 | 191,170 |
| Utilities | 39,835 | 38,212 |
| Research | 30,528 | 30,528 |
| Travel | 26,099 | 17,320 |
| Consultants | 23,844 | 9,921 |
| Professional fees | 18,310 | 29,869 |
| Advocacy | 16,442 | 50,423 |
| Meeting expenses | 13,089 | 9,993 |
| Memberships | 9,651 | 8,447 |
| General office | 6,966 | 7,392 |
| Insurance | 5,821 | 6,096 |
| Interest and bank charges | 2,051 | 1,882 |
| Provision for (recovery of) levies in appeals | <u>4,946</u> | <u>(18,421)</u> |
| | <u>1,578,551</u> | <u>1,562,965</u> |

BIA Financial Operations Manual

v1

A SUMMARY OF THE MAIN FINANCIAL OPERATING FUNCTIONS AND BEST PRACTICES





Manual Overview

This project has been funded by the City of Toronto's Main Street Innovation Fund, as part of Government of Canada support through the Federal Economic Development Agency for Southern Ontario.

A BIA Financial Operations Manual is like an encyclopedia for an organization. The Liberty Village BIA worked with ROSENSWIG McRAE ROSSO LLP to create a standardized document that allows BIA's to adhere to the financial recommendations laid out by the Auditors General Office. This Financial Operations Manual is easily transferable to BIA's across Toronto.

Disclaimer: this manual has been prepared in accordance with the provisions outlined in TORONTO MUNICIPAL CODE CHAPTER 19, BUSINESS IMPROVEMENT AREAS. The policies and methodologies have been prepared based on best practices within the Toronto BIA community. Templates and policies enclosed within are based on these best practices, however the contents of the manual do not assume liability for any tax and/or legal considerations. The contents of the manual are suggestive as opposed to enforceable and professional consultation should be considered where appropriate.

Acknowledgements

We would like to thank the following individuals for their contributions to the BIA Financial Operations Manual:

Liberty Village BIA Board of Management and Staff

- Charles Arbez – Chair
- Praveen Vilvanathan – Treasurer
- Julie Kaye – Ex. Official (Chair, 2018 – 2022)
- Abhishek Kathuria – Executive Director

BIA Working Group

- Madelaine Hudson – Bookkeeper, Liberty Village BIA
- Laura Burnham – Executive Director, Willowdale BIA
- Lais Fabricio – BIA Manager, Mount Pleasant Village BIA
- Kathryn Adams – Office & Project Manager, Leslieville BIA
- Louroz Mercader – Executive Director, Yonge + St. Clair BIA
- Stephanie McCracken – Executive Director, Church-Wellesley Village BIA
- Swareena Rajkhowa – BIA Coordinator, Kensington Market BIA
- Mario Palmer – BIA Manager, York-Eglinton BIA
- Amy Harrell – Operations Manager, Toronto Financial District BIA
- Sue Kilbride – Bookkeeper, Toronto Financial District BIA

City Representatives

- Ned Sabev – Economic Partnership Advisor, BIA Office
- David Hessels – Economic Partnership Advisor, BIA Office
- Jason Yarmolinsky – Senior Internal Auditor, Internal Control Office
- John Kiru – Executive Director, TABIA
- Ron Nash – Project Manager, BIA Office
- Rebecca Condon – Manager, BIA Office

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1. GENERAL INFORMATION

A - What is a BIA?

i) Purpose and Mission Statement

A Business Improvement Area (BIA) is an association of commercial property owners and tenants in a defined geographic area who work in partnership with the City to create thriving, competitive and safe business areas that attract new businesses, shoppers, diners, residents and tourists. By working collectively as a BIA, the local businesses have the organizational and funding capacity to be catalysts for civic improvement, enhancing the quality of life of their neighbourhood and the City as a whole. A BIA is a registered ABC (Agency, Bureau, Commission) of the City of Toronto. BIA's also act as a unified voice to address issues on behalf of their membership.

[Each BIA has their own individual purpose and mission]

[BIA Mission statement]

ii) Key external stakeholders

Members - All businesses and industry/commercial property owners located within a BIA's boundaries are automatically members of the BIA and are entitled to participate actively. The members are the "client" of any BIA and the BIA works to service these clients through their operations.

Board of Management - BIAs are managed by their volunteer Board of Management and are elected by the members of the BIA and appointed by Council. At the first Board meeting of a new 4 year term, there will be someone (ideally old Executives – Chair, Vice Chair, Secretary and Treasurer) and a City of Toronto Representative (ie Economic Development Officer, etc) to help officiate and acclimate the new Board and assist in choosing the vote for the next Chair. The responsibilities of Board Members defined under Chapter 19 are as follows:

- **Chair:** chair all meetings of the BIA and of the Board, follow the agenda, decide on whether motions are in order; rule on all procedural matters and maintain decorum; ensure motions and amendments are clearly expressed and, if there is no motion under consideration, summarize the discussion for the purpose of the minutes; have general supervision of the affairs of the business improvement area; along with the Secretary or Treasurer, sign all by-laws and execute any documents, contracts or agreements; perform any other duties which the Board may, from time to time, assign; sit, ex officio, on all committees; ensure that all past financial records of the Board are transferred to the succeeding Treasurer when there is a change of Treasurer and administrative records are transferred to the succeeding Secretary when there is a change of Secretary.
- **Vice Chair:** shall exercise any or all of the duties of the Chair in the absence of the Chair or if the Chair is unable for any reason to perform those duties.

- **Secretary:** ensure that notice is given of each regular and special meeting of the Board together with an agenda of the matters to be considered so that notice and agenda will reach members at least five business days in advance of the meeting; ensure that the minutes of each meeting are recorded and presented at the following meeting for adoption; record confidential minutes of closed sessions of the Board; along with the chair, sign the adopted minutes and submit a copy of the to the City's business improvement area office; keep or cause to be kept: the business improvement area's records and books of the business improvement area, including business improvement area bylaws, policies and resolutions; the registry of Officers and directors; the minutes of the annual general meeting, general meetings, meetings of the Board or any committees thereof, and any committee reports; certify copies of any record, registry, by-law, resolution or minute; give notice of the annual general meeting and general meetings; ensure that an accurate record of business improvement area administrative and operational assets (for example computers, phones, furniture, maintenance equipment, vehicles) is kept.
- **Treasurer:** under the direction of the Board, supervise the expenditure of the funds of the business improvement area; keep and maintain the financial records and books of the business improvement area; assist the auditor in the preparation of the financial statements of the business improvement area; perform any other duties that the Board may from time to time assign; maintain an inventory of all physical assets owned or leased by the business improvement area; prepare and distribute the proposed annual budget in accordance with the requirements of the City; and prepare and present written financial statements for the Board's review and consideration at each regular meeting and submit the Board-approved statements to the City's business improvement area office.

Under the Board of Management (BOM), each committee is determined by a vote at a BOM meeting and must have a sitting Board Member as the Chair of that committee. Elected Board Members vote for the Chair of each respective committee. The BIA's various Committees are described in further detail in the Organizational Chart. A committee is a group of people appointed for a specific function and includes at least one member from the BOM team and various volunteers. Committee members work together to create thriving, competitive and safe business areas that attract shoppers, diners, and new businesses. Each committee is responsible for leading a specific realm of tasks and initiatives (e.g. Events, Streetscape, Community Safety) in line with the Board of Management's term objectives.

The current listing of Board members:

- Chair, Vice-Chair, Secretary, Treasurer, Directors

City of Toronto - Toronto now boasts a total of 83 BIAs across the City - the largest number of BIAs in North America, representing more than 90,000 businesses and commercial property owners.

BIA's are City of Toronto agencies that are established by City Council under the authority of the City of Toronto Act, 2006. BIA's oversee the improvement and beautification of streetscapes, promote local businesses and organize community events. Their operating budgets are funded through a levy on all commercial and industrial properties within the BIA boundary. The levy is administered by the City of Toronto.

iii) City Governance and Contact Information

Governance – All Business Improvement Areas must adhere to the City of Toronto [Municipal Code, Chapter 19](#).

Municipal Code, Chapter 19 contains provisions related to financial management, activities that BIAs are allowed to undertake, and clarifications and refinements with respect to procedures for establishing or amending the boundaries of BIAs.

Schedule B of Municipal Code, Chapter 19 outlines Board of Management Procedures, which must be adhered to by BIA Boards of Management. Boards of Management must adopt Schedule B by motion at the start of each board term of office.

Additional procedures may be adopted by the Board of Management provided they are not in conflict with the provisions of Schedule B. Any additional procedures adopted by a Board of Management must be reviewed in advance by the City's BIA Office and ratified by the membership at the next Annual General Meeting ("AGM").

[insert any By-Laws that are specific to this BIA]

Contact information – below is a repository of various City of Toronto contact information:

[Toronto Association of Business Improvement Areas \(TABIA\)](#)

[Ontario Business Improvement Area Association \(OBIAA\)](#)

[City of Toronto - Business Improvement Area Directory](#)

Rebecca Condon | Manager BIA Office | City of Toronto – Rebecca.Condon@toronto.ca

BIA Office | General Inquiries | City of Toronto - biaoffice@toronto.ca

John Kiru | Executive Director | TABIA - JKiru@toronto-bia.com

Kay Matthews | Executive Director | OBIAA - Kay.Matthews@obiaa.com

Sophie Peng | Financial Analyst, Accounting Services (Audit contact) | City of Toronto – Sophie.Peng@toronto.ca

Reema McCowan | Administrative Assistant to Sandra Califaretti, Accounting Services (Audit Contact) | City of Toronto – Reema.McCowan@toronto.ca

Patrick Tobin | General Manager of Economic Development and Culture | City of Toronto – Patrick.Tobin@toronto.ca

Sandra Califaretti | Director of Accounting Services (Audit Contact) | City of Toronto – Sandra.Califaretti@toronto.ca

[insert Economic Partnership Advisor specific to this BIA]

[insert CCS + Streetscape Coordinator specific to this BIA]

[insert Ward Councillor contact info here]

[insert Ward MPP contact info here]

iv) Conduct Standards and Resources for Local Boards

The public expects the highest standards of conduct from citizen members who are appointed to local boards by the Council to act on its behalf. The standards are set out in the [Code of Conduct for Members of Local Boards \(Restricted Definition\)](#) and the [Municipal Conflict of Interest Act](#).

The Integrity Commissioner is available to members of Local Boards to answer questions and provide advice about meeting the standards.

Local Board appointees can seek advice by calling or emailing the Integrity Commissioner (or the Office) and/or the Fraud and Waste Hotline as follows:

- Call or email the Office at 416-392-3826 or integrity@toronto.ca
- Call or email the Commissioner directly at 416-397-7770 or Jonathan.Batty@toronto.ca
- Contact the Fraud and Waste Hotline (for reporting fraud and/or wrongdoing involving City resources) directly at 416-397-7867 or auditorgeneral@toronto.ca

More info can be found in [The Fraud, Waste and Wrongdoing Directory](#)

If a member of the BIA staff or Board has reason to believe that theft or fraud has occurred, the person may immediately bring the matter to the attention of the General Manager of Economic Development & Culture and the City Solicitor via the City BIA Office. Contact information can be found in the City Governance section or above at the Fraud and Waste Hotline, done anonymously.

v) Geographic boundaries

[insert map specific to the BIA, outlining geographic boundaries]

B – General Operations

i) Organizational Chart

[see BIA org chart template in the [Templates](#) section of the manual]

ii) Record keeping

Supporting documentation should be maintained for all financial transactions that occur. It is recommended that such records be maintained and kept for a minimum of 7 years (as per CRA recommendations) after the fiscal year in which the underlying transaction has occurred. This will include all source documents issued from third parties such as invoices, receipts, purchase orders, statements, etc. Internally generated documents other than approval documentation (such as internally generated invoices) should not be recognized as appropriate supporting documentation. In order to substantiate any financial transactions, it is important to note that a third-party source document, not prepared by the BIA, is required.

Financial statements that are internally generated should be maintained in an electronic repository indefinitely.

Board of Management meeting minutes must be maintained in a similar electronic format indefinitely, under the protocol outlined in the “Board Meetings” section below.

iii) Bookkeeping

The main function of the BIA bookkeeper is to oversee the organization's financial data and compliance by maintaining accurate books on accounts payable and receivable, payroll, and daily financial entries and reconciliations. They perform accounting tasks such as monthly financial reporting, general ledger entries, and record payments and adjustments.

It is not mandated under Chapter 19 to have an external bookkeeper; however, it is highly recommended from an internal control and best practices standpoint. The bookkeeper does not need to be a full-time employee; the bookkeeper instead can be an individual/business that is contracted on a part-time basis for performing regularly recurring financial activities. In lieu of having a bookkeeper, see the [Templates](#) section of this manual for a Business Improvement Area Financial Controls Checklist, which outlines the minimum required activities from a bookkeeping standpoint. **All items should be prepared by the bookkeeper and is then the responsibility of the Treasurer to review and report to the Board. These requirements, in the absence of a bookkeeper, are the responsibility of the BIA's Treasurer.**

Software – *[insert software name]* is used for the accounting function, namely tracking invoices and expenses, performing payroll and creating financial statements. For information security purposes, individualized login and password information has been granted only to specific employees while also creating an adequate segregation of duties in terms of access.

[insert Virus protection software]

[insert information backup protocol – best practices suggest that backups be done weekly and that backups be stored either physically offsite or on a cloud-based platform that ensures adequate controls]

Bookkeeper information – *[insert bookkeeper name, contact info, work schedule and other pertinent information]*

iv) General banking information

[insert bank institution, address, contact information, bank account(s), credit card(s) authorized personnel and limits, and investing account(s) address and contact information]

v) Canada Revenue Agency (CRA) accounts

The CRA My Business Account portal is designed for the BIA to view, pay and remit:

- Employer withholdings on employee pay such as CPP, EI and income tax
 - CRA account #: XXXXX XXXX **RP0001**
 - Described in more detail in the Payroll section of the manual
- Sales tax remittances and rebates, such as HST and the Public Service Bodies Rebate
 - CRA account #: XXXXX XXXX **RT0001**
 - Described in more detail in the Expenditures section of the manual

[How to access the My Business Account portal with CRA](#)

[Register to receive CRA mail online](#)

The following individuals should have access to the BIA's CRA account:

- Chair
- Vice-Chair
- Treasurer
- Secretary
- Bookkeeper

vi) Audit requirements

Audited Financial Statements - [Chapter 19, section 19-4.3](#) outlines that the Board is required to submit annual audited financial statements for the preceding fiscal year for Council's approval by the reporting deadline communicated by the City's Chief Financial Officer and Treasurer. The typical audited statement reporting deadline issued from the City is mid-September of the following year. **This is an important date to note – this reporting deadline must be met for the BIA to receive its Q3 levy funding. The audit will typically take place sometime between February – April of the following year, right around the time the City issues its Summary of Transactions document discussed below. The BIA will also be unable to submit their budget for funding in the following year without submitting these audit statements before the deadline.**

The audit is to be conducted by a Licensed Public Accountant in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board and the auditor must be appointed by BIA members at the annual AGM. The audited financial statements should be reconciled to the Summary of City Transaction document as outlined below.

Management Letter - The auditor will typically issue a Management Letter along with the audited financial statements, which are also required to be submitted to Council. The Management Letter is a written notification identifying internal control and other financial issues that need to be addressed by the Board. The Board is required to submit a letter to the BIA General Manager indicating how it will rectify the issues outlined in the letter.

Board minutes - All Board-approved copies of meeting minutes for all Board meetings held up to and including the date, the audit is being performed must be forwarded to the BIA auditor.

If the BIA fails to comply with the above requirements, the City has the authority to withhold future payment of the BIA's special charge until the BIA complies.

vii) Summary of City Transactions document

The Summary of City Transactions is an annual document issued by the City. **Each BIA will receive such a document (typically issued in March following the BIA fiscal year end)** that outlines important financial balances between the BIA and the City, namely: the amount of tax levies billed to BIA members, the increase/decrease in the provision for loss on assessment appeals, tax levies written off, annual insurance assessment, the net amount receivable/payable from/to the City and accounts payable to the City for capital expenses. All of these balances should be adjusted for in the audited financial statements discussed above. The value of capital work to be continued in the following fiscal year is also outlined and should be included as a financial commitment in the audited financial statements. **Once received, this document should be forwarded over to the bookkeeper and the auditor to process as part of the audit statements.**

viii) Surplus reserves

A surplus may accumulate due to underspending or receiving unexpected sources of revenue. This accumulated surplus should be approved each year when the Board is approving the following year's budget. A surplus reserve policy should be devised to internally restrict currently available funds for future expenditures, and **at a minimum**, 6 months of operating expenses should be kept on hand as a reserve. This can include future expenses for normal operations, capital projects, appeal provisions, etc. **The amount and nature of internally restricted surplus should be approved by the Board and documented in the meetings minutes for the first Board meeting held after the fiscal year-end**, as well as disclosed in the audited financial statements. Surplus amounts that are intended to be invested and held for future use are discussed in the [Investment Revenue](#) section of the manual.

viv) General BIA financial risk assessment

Below is an assessment of the financial risk areas inherent in BIA operations:

Year-end accounts payable and accrued liabilities – the completeness of accounts payable is a risk area. Generally, invoices are received after the year which may pertain to the recently completed fiscal year. The risk is that such amounts payable are not recorded in the correct year. The BIA addresses this risk by keeping its financial records for the fiscal year open for at least 1 month after year-end, and reviewing transactions within this one month to ensure they are being recorded in the fiscal year that the underlying transaction pertains to. Management must estimate accruals where applicable, for example, bonuses paid after year-end that pertain to the prior fiscal year for staff/management and accruing an appropriate amount of payroll at year-end for days that employees worked but were not paid for until after year-end.

Expenditures – the legitimacy and classification of expenses is a risk area. Expenses will typically be the most scrutinized figures on the BIA financial statements, as funding is received for specific purposes based on budgets that were approved by the Board, BIA members and the City. The expenses that occur during the year should be allocated in the financial reporting based on where they were allocated in the budget as best practice.

x) Lawyer contact information

Name of Firm:

Contact Person:

Contact Info:

When to contact:

- employment matters such as reviewing employment agreements, adding to existing agreements, advising, laying off or terminating employment, and reviewing or creating an employee handbook.
- Creation, review or amendment of financial commitments entered into under service agreements.
- Any other instances or areas of current or potential liability exposure

Lawyers can be referred to from existing BIA's, or a listing can be found with the [Law Society of Ontario](#).

C – Financial Reporting

i) Financial Statements

Reporting basis – Fiscal year end is December 31 for the BIA. All annual financial statements should be presented on this basis. The BIA is required to use the accrual method of accounting, which means that revenues and expenditures should be recognized based on when products/services have been earned or provided, as opposed to when the funds have been received/paid. The audited statements should be prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB).

Annual audited financial statements – discussed in B (v) above. These statements are prepared by a Licensed Public Accountant.

Monthly, quarterly and annual internal financial statements – regular interim reporting will be made to the Board to ensure transparency and accountability in the use of public funds received by the BIA. The Board will receive reports on the financial condition of the BIA at each regularly scheduled meeting. The standard reporting for all such Board meetings will include the balance sheet, statement of revenue and expenditures, general ledger and bank reconciliation.

ii) Budget

Annual budget - set by the Board of Management and approved at an AGM where all property owners and businesses can attend to vote. The budget is set using a template provided by the City council. **The Board-approved budget must be submitted to the City 20 business days prior to the AGM along with an AGM Notice (typically by early December before the fiscal year begins).** Should the City approve the submitted budget, approval will be granted in January, which is the first month of the budget-approved fiscal year.

At the beginning of each fiscal year, the budget should be imported into the accounting software as a way to have real-time comparisons of budgeted spending vs actual spending at any given point in time. The budget should be allocated in the accounting records based on the way expenditures were allocated in the Board- and City-approved budget and budget line items should not be readjusted after approval.

iii) Board meetings

Board meetings are required be held **a minimum of** four times a year as per Chapter 19 (including the AGM), but are recommended to occur more frequently. Forecasts detailing expected year-end revenues and expenses and significant variances as compared to the budget should be prepared after each fiscal quarter. These revenue and expense forecasts, comparison versus budget, balance sheet and bank reconciliation will be received by the Board as part of the regular financial reporting package. Approval of the quarterly reporting package should be documented in the Board meeting minutes. See the [Templates](#) section of the manual for typical Board Meeting Financial Statement Reporting; the Treasurer of a Board should prepare at least: a statement of revenue and expenses, a list of all transactions (ie a general ledger) and the bank balance for the Board's review. Meeting minutes should be documented by a minute keeper (ideally the Secretary) for every Board meeting, and the meeting minutes once drafted should be approved by the Board at/before the next Board meeting.

Minutes should record: the place, date and time of meeting; the name of the chair; the names of all directors present, and those not present, at the meeting; the names of all others present at the meeting; the correction and adoption of the minutes of the prior meeting; and all motions, decisions and other proceedings of the Board. Best practice is to record in the minutes a summary of the financial reporting package above, ie \$X of cash, \$Y of expenses and \$Z of revenues.

See the BOM Meeting Agenda and Minutes section in the [Templates](#) section of the manual for a sample meeting agenda.

iv) Annual General Meeting (AGM)

The AGM is a meeting for which notice is distributed to all BIA members to attend. Notice and all related materials must be submitted to the City BIA office at least 20 days before the date of the AGM. The AGM will typically be held towards the end of each fiscal year. The following is required to occur at the AGM:

- Quorum of the Board is present
- Board Report – outlining the BIA program for the year, accomplishments, and a summary of revenues and expenditures for the year. Can be done in conjunction with management.
- Approval of the prior year's audited financial statements – will typically be part of the Treasurer's Report which summarizes the financial activity outlined in the prior year's audited financial statements.
- Appointment of auditor for the current fiscal year
- Approval of next year's annual budget
- Elect and approve nominees for appointment to the Board, indicating the term of appointment (must be done once every 4 years)

The Budget Approval Schedule outlining key dates around the AGM and budget process can be found through TABIA.

See the BOM Meeting Agenda and Minutes section in the [Templates](#) section of the manual for a sample meeting agenda.

D – Calendar of Key Dates

See [Templates](#) for a calendar which can be modified for other important dates.

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

JAN

1. City Council approves BIA budget
2. Bookkeeper enters budget numbers for year
3. Sign Letter of Engagement for Auditor (Accountant approved at previous AGM)
4. Adopt Board of Management Nominees
5. If BIA is registered for and collects HST on revenues - Q4 of the prior year HST return is due Jan 31

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | | | | |

FEB

1. Complete HST Rebate application for July-Dec of the previous year
2. Complete annual T4s (employees) & T4As (subcontractors) for the prior calendar year - due Feb 28
3. City BIA Staff sends audit deadline information
4. Board Meeting
5. Meet with bookkeeper to review prior year financial statements BEFORE the audit process begins

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | 31 | |

MAR

1. City BIA Staff sends levy installment dates
2. Audit for prior year performed by auditors during March
3. Notify TABIA if we wish to withdraw from existing D&O Insurance provider
4. Pay WSIB and file Annual Reconciliation - due March 31
5. Pay EHT and file Annual Return - due March 15
6. City BIA office sends Summary of Transactions Documents (for audit statements - send to auditor)
7. 50% Levy expected to be received by end of Q1

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | | | | | | |

APR

1. D&O Insurance Automatically Renews - TABIA will send invoice
2. Sustainability Fee due (2% of Levy) - TABIA will send invoice
3. If BIA is registered for and collects HST on revenues - Q1 of the current year HST return is due April 30
4. Board Meeting (audit statements should be approved here)

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

MAY

1. Submit Audited Statements to City - must be approved by Treasurer and then Board before issuing to City

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | |

JUN

1. City BIA Staff sends budget schedule

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | | |

JUL

1. Budget Planning for next year (meet with all committees)

2. If BIA is registered for and collects HST on revenues - Q2 of the current year HST return is due July 31

3. Complete HST Rebate application for Jan-June of the current year

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

AUG

1. Appeal provision amounts received from City of Toronto:
- current year Provision for Tax Appeal Expenditure (projected year end)
- prior year Appeal Provision (surplus/deficit)

2. Present next year's budget to BOM - make changes where necessary

3. Board Meeting

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

SEP

1. BOM to approve budget for next year

2. Ensure BIA has submitted audited financial statements by mid-September (otherwise Q3 levy is not paid)

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

OCT

1. Forward AGM Notice & proposed budget to City BIA Office at least 20 days before AGM - **no later than November 11**

2. Mail out AGM Notice to business owners/operators and Board Members, deadline in November to complete mail out (minimum 15 business days notice required)

3. If BIA is registered for and collects HST on revenues - Q3 of the current year HST return is due Oct 31

3. Board Meeting

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | | |

NOV

1. BIA AGM - Approve next year budget and nominate new Board Members

2. AGM Notice and next year budget due to City by no later than Nov 11

3. City mails out AGM Notice to commercial/industrial property owners by **Nov 18 at the latest**

4. BIA mails out AGM Notice to business owners/operators and Board Members by **Nov 18 at the latest**

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | | | | | | |

DEC

1. Annual General meeting deadline Dec 8

2. Forward Approved Budget forms to the City's BIA Office and forward completed nomination form for each elected board of management nominee to City's BIA Office, deadline

December 9

3. Office closures

2. REVENUES

A – City levies

i) Description

The primary source of BIA revenue, BIAs are funded by a special levy on commercial and industrial properties in the area, which are administered by the City of Toronto. Once the City approves the BIA annual budget, the budget is then applied across the assessed tax base of the area by the City and appears on municipal property tax bills. For tenants, the costs are passed on through their lease. Levies are paid by the City through electronic funds transfer.

ii) When are they paid and recorded in the financial statements

The City will remit 50% of the BIA's levy within 6 weeks of City Council approval of the budget, 25% in July and 25% in September, but shall withhold an amount for insurance recovery costs and a provisional amount reserved for assessment and tax appeals. Amounts should be recorded when received. **The City can withhold this final pre-September 30 payment if the BIA has not submitted their audited financial statements by mid-September.**

B – Investment revenue

i) Description

The BIA receives several levy installments from the City which can create significant cash on hand due to the timing difference between receiving funds and paying expenditures. These cash balances (or more formally, surpluses) can be invested in revenue-generating assets at the discretion of the Board. The revenues earned on investment are paid electronically into the relevant investing account.

ii) When are they paid and recorded in the financial statements

The payment of investment income will be determined based on the structure of the underlying financial instrument. Such investments will typically be interest-bearing financial instruments, and the interest earned on such investment should be recorded when earned, or more simply they should be recorded evenly throughout the term of the investment, instead of when the interest may be received at the time of maturity. Therefore, it is recommended that at each year, an accrual be recorded for all interest that has been earned up to year-end but will not be paid until after year-end.

iii) Investment policy

A Board-approved investment policy should be enacted that outlines the investment objective of the BIA while also outlining a minimum required target that should not be invested to maintain adequate working capital. This is best determined based on the BIA's estimate of required working capital over the short term, for example, 3 months. The policy should also outline the allowable types of financial instruments and the maximum terms of investment. **The types of investments made will typically be CDIC-insured GIC's or equivalents with maturity of up to 1 year, so investment policies should reflect this.**

C – Tertiary sources of revenue

i) Description

Tertiary sources of revenue may include but are not limited to sponsorships, equipment rentals and providing services to the City, other BIA or third parties. These revenues may be paid either through electronic funds transfer or cheque.

ii) When are they paid and recorded in the financial statements

Payment terms should default to full payment within 30 days which is standard business practice. The accounts receivable listing should be reviewed monthly to determine the aging of outstanding receivables, and invoices outstanding beyond the standard 30 days should be followed up.

iii) Invoicing

Invoicing after service has been completed should be done as a normal business practice like any other service organization. See the Templates section of the manual for a customer invoice template.

Consideration should be given to whether HST will apply to the invoice being issued. This is discussed in more detail in the HST section of the manual.

D – Federal, provincial and municipal grants

i) Description

The BIA may enter into a government grant agreement to execute a specified project. The grant may be distributed to the BIA throughout the term of the project. Grants will be paid by the government through electronic funds transfer.

ii) When are they paid and recorded in the financial statements

The structure of the agreement will need to be considered when determining when the grant has been earned and therefore should be recognized as grant revenue in the financial statements of the BIA. Most commonly, grants will be earned when the related project costs have been incurred and all reporting requirements have been met. Such agreements may often be structured with milestone payments and reporting requirements, and therefore these intermittent milestone requirements must be considered when determining if a milestone payment has been earned. All milestones should be met before a grant is recognized as revenue in the financial statements.

E – Cost-sharing reimbursements

i) Description

BIAs are eligible to participate in the City's BIA Capital Cost-Share Program. Through the program the costs of capital/streetscape improvements are cost-shared 50:50 between the City and BIA. The City acts as project manager and recovers the BIA's 50% contribution after the project has been inspected and paid in full. These capital cost-share billings are typically covered by the City initially and then invoiced to the BIAs twice annually. Expenditures for the July to Dec period will be reflected in the Summary of City Transactions.

In some scenarios, costs are first paid in full by the individual BIA (determined and negotiated between the City and the BIA), and the BIA in turn invoices the City for their 50% share of the cost. This is considered a direct cost reimbursement as opposed to a traditional revenue source, and should be recorded against the underlying expense rather than classified as revenue on the BIA's income and expenses statement.

ii) When are they paid and recorded in the financial statements

The standard treatment of cost-sharing reimbursements is to invoice the City for these items. The payment terms should be indicated as net 30 days however the timing of the payment will be decided by the City. Such transactions are accounted for in the Summary of City Transactions document that is discussed in the [General Information](#) section of the manual. This document issued by the City will capture all such cost-sharing invoices that have been issued by your BIA but have yet to be paid, and will reflect them as receivable at year-end if not paid. These transactions should be recorded in the financial statements of the BIA when it is determined by the City that the reimbursement is owed (i.e. before payment).

F – Bank deposits

i) Cheques

Should any of the above revenue sources create physical cheques, all such items should be logged onto a cheque receipt log by a staff member (typically administration/operations). Cheques and related cheque logs should be submitted to the bookkeeper regularly (i.e. weekly) for them to process the cheques in the financial records and deposit the funds into the BIA chequing account. It should be inquired with the bank as to whether there is the option to maintain scanned electronic copies of cheques that are deposited.

3. EXPENDITURES

A – Purchase Authorizations

The purpose of having appropriate purchase authorization is to ensure the organization purchases are legitimate and in line with the BIA-approved budget and to protect all stakeholders: staff, Board Members and Members at large, from purchases not authorized or in line with the BIA-approved budget. It should first be determined if the BIA already has such a policy in place that is Board and/or Member approved. If not, below are general guidelines for best practices in enacting a policy.

i) Authorization Policy

All purchases must have: a purchase order, be approved by the Board prior to purchase and be within the BIA budget.

All purchases must have a purchase order and be approved before purchase by the following:

- Two Executives with signing authority on the Executive Committee (Chair, Vice Chair, Treasurer or Secretary) or two other Board Members with signing authority – less than \$5,000
- Board – over \$5,000
- **The above thresholds are subject to revision and are contingent on typical BIA spending habits. The BIA by-laws should be reviewed to ensure the policy thresholds are in accordance with them. It is recommended that the Board these thresholds as part of a purchasing policy.**

For payment processing, all forms of payment must have a minimum of two Board authorizations on all payments regardless of amount. A minimum of a third signing authority should be added for backup authorization as a signor. Signing authorization must be registered with the bank as well as the City's Chief Financial Officer and the City's Treasurer. Registration with the City can be coordinated through the BIA Office – contact information can be found in the [General](#) section of the manual.

All Executive Director's expenses must be approved by the Chair or Treasurer. Expenses for full-time/part-time employees and volunteers are outlined in the **Employee Expense Reimbursement Policy** section and should be approved by the Executive Director.

Office supplies: The BIA may set up an account with a business supply company. A credit application form may also be completed with the required information and purchasing guidelines as directed by the Board of Management. The same authorization procedure applies as stated above.

ii) Purchasing procedure flowchart

See the [Templates](#) section of the manual for a template flowchart.

Step 1:

Before making the purchase, review the Request for Proposal policy to determine if a bidding process is required, either due to dollar amount or nature of the expenditure.

If yes, go to Step 1b. If no, go to Step 2.

Step 1b:

See the RFP bidding procedure in [Section 3A\(iii\)](#) below. Once that procedure is completed, move onto Step 2.

Step 2:

The expense is approved by the appropriate personnel in accordance with the Authorization Policy.

Step 3:

A Purchase Order (P.O.) is issued by the BIA and signed by the appropriate personnel in accordance with the authorization policy.

Go to Step 4

Step 4:

When shipment arrives, the Operations Manager will ensure the quantity, items ordered & price/price extension are correct.

If correct, they will forward the invoice and P.O. to the bookkeeper.

Go to Step 5

Step 5:

The bookkeeper double checks the amount of the invoice if it is the same as the P.O. and that the P.O. has been authorized.

If all agrees, bookkeeper enters the invoice into accounting system. Payment is prepared by bookkeeper in accordance with the payment terms outlined on the vendor invoice.

Go to Step 6

Step 6:

On at least a monthly basis, bookkeeper generates AP listing and sends all invoices due to the Executive Director for review.

The bookkeeper circulates all payments to signing officers for approval.

Go to Step 7

Step 7:

Once the payment is approved by at least two of the signing officers.

Copies of the cheque, invoice & P.O. are kept in a payables file.

iii) When to consider a competitive Request for Proposal (RFP)

Depending on the size of the expenditure, a formal process for accepting proposals for the desired products/services may be required to review available options and decide on the best one. The RFP process pertains to Step 1b in the above purchasing procedure. Once the RFP process has been completed as outlined below, you can move on to Step 2 to obtain the appropriate authorization. Note that an RFP process may not be attainable in certain situations, for example, if there is a unique product/service needed that only has one or very limited suppliers. The reason an RFP process is not followed (if it is required due to the size of the purchase) should be clearly documented and communicated to the Board/relevant stakeholders. Below are recommended RFP procedures within specific thresholds (subject to BIA's discretion):

Small purchases (under \$3,000) - Reasonable efforts must be made to get the lowest and best price for all purchases required for any BIA function, meeting or event. However, written records of such RFP efforts are not required if the purchase of supplies, equipment and/or services costs under \$3,000.

Competitive bids (Over \$3,000 and under \$10,000) – Should have at least two written supplier proposals.

Competitive bids (Over \$10,000) – Should have at least three written supplier proposals and reference checks should be performed.

Note that multi-year agreements are subject to the above thresholds, based on the total expected lifetime value of the agreement. Such agreements are discussed in [Section 3C](#) below.

iv) Qualitative supplier considerations

Exceptions to the RFP thresholds may be made for specialized/unique vendors as outlined in purchasing approval documentation.

Purchases negotiated as group purchases through a coalition of other business associations, agencies or organizations must be approved by the Board and may not require competitive proposals if the BIA portion of the cash outlay does not exceed the RFP thresholds described in [Section 3A\(iii\)](#) above. An example of this could be a cost-share project shared with other BIAs or services provided to a consortium of BIAs.

The Board will purchase products and services which consider environmental, health and safety factors, and will not knowingly purchase goods and/or services from manufacturers who operate in contravention of local and international labour laws and standards. [See the City's Social Procurement Program](#), which outlines qualitative supplier considerations.

All factors being equal and as far as practical from the standpoint of quality, service and price, preference shall be given to local Canadian products. In addition, if all factors such as quality, service and price are equal, the Board will endeavour to purchase goods and services from the supplier who maintains a business office, service centre or manufacturing facility within the BIA.

Individual consultants (i.e. not a registered business) used should be subject to a criminal background check.

Purchase orders will be awarded to those suppliers offering the most cost-effective price consistent with specifications and requested quality, delivery and service.

B – Expense Payment Methods

i) Credit card

Making purchases via credit card is permissible assuming the purchase is made in accordance with the Authorization Policy in [Section 3A\(i\)](#) above. Credit cards should be registered in the name of and issued to specific BIA personnel – most appropriately the Executive Director, however, thought can be given to registering secondary cards in the name of a management-level employee who has significant and recurring purchasing responsibilities to streamline the purchasing process. No individual who is issued a credit card should have a credit limit that exceeds their authorization limit. The individual issued the card should keep this on their person at all times and should not allow other personnel to use the credit card.

Monthly credit card statements for BIA staff should be reviewed by the Executive Director and Treasurer to ensure the charges incurred are within the parameters of the BIA budget and that charges that require Board approval due to size are identified and brought forward to the Board. Also, monthly, all credit card statements should be reconciled by the bookkeeper. The same exercise should be applied to monthly credit card statements for the Executive Director, which should be reviewed by the Treasurer. **Any discrepancies should be immediately actioned and brought to the attention of the Treasurer/Board.**

The underlying receipts and/or invoices for all credit card charges should be kept on hand and attached to the monthly credit card statement to which it relates. All items should be submitted as a package to the bookkeeper to process in the accounting records. The receipt/invoice should denote the purpose of the charge.

ii) Online banking / Accounts Payable Software

This payment option is available if online banking is set up with the bank. In a post-COVID, remote business environment, working with your bank to implement online banking protocols is recommended for the purposes of simplicity, security and accessibility.

Once the bookkeeper has generated the Accounts Payable listing for outstanding supplier invoices due within a designated pay cycle (either weekly, biweekly or at most monthly) the Executive Director must approve all relevant invoices/credit card statements for payment processing (all as described in [Step 6 of the Purchasing Procedure](#) above).

The bookkeeper will prepare batch payments via the online banking platform or other software. The batch payments will be assigned to the two signing authorities on the Board, who will be required to electronically sign in and approve the payments. Upon approval, the payment will be released to the vendor(s).

iii) Cheque

The payment process pertaining to cheque payments will follow the above online banking protocol. Cheques should also require two Executive signatures (as set up with the bank) regardless of size. Similar to online banking payment cycles, cheques should be arranged for signing weekly, bi-weekly or at most monthly with the two signing authorities. **Note that cheques should never be signed in advance of incurring an expense or without an amount.**

Cheque stock should be maintained by a BIA staff manager in a safe or locked file cabinet.

iv) Petty Cash and Gift Cards (in lieu of other payment forms)

Such payment may be easier for small day-to-day items, for example using Staples gift cards to purchase small office supplies. The BIA may set up a \$500 petty cash and/or gift card system with a secured location and limited access (only accessible by an Operations Manager) to be used for BIA expenses. The amount should be first approved by the Board and noted in the minutes. All payments via cash/gift card should be approved by the Executive Director.

Similar to cheques, petty cash and gift cards should be maintained by a BIA staff manager in a safe or locked file cabinet.

A detailed expense log should be maintained which summarizes the date, vendor and amounts paid. The log must be approved by the Board of Management semi-annually at Board meetings. See the [Templates](#) section of the manual for an example of an expense log. The petty cash and gift cards should be reconciled quarterly by the ED or the bookkeeper to ensure the amount held is accurate. **Any discrepancies should be immediately actioned and brought to the attention of the Treasurer/Board.**

C – Contracts for future financial commitments

i) Description

Contractual commitments entail any agreement that the BIA has entered into which requires a current or future cash disbursement of BIA funds for products or services. As per Toronto Municipal Code, Chapter 19, the BIA may not enter into contracts which extend beyond the current fiscal year. The City does however recognize that employment contracts, lease agreements and other long-term agreements such as landscaping and IT support are needed to effectively conduct operations under normal business practice. It is recommended in these scenarios to negotiate an appropriate opt-out clause with the creditor.

A template for third-party service agreements can be found in the [Templates](#) section of the manual. ***Disclaimer: This template is an example only and may not be appropriate for use.*** A review of all financial commitment agreements entered into should be reviewed by legal counsel before execution. It is your responsibility to make sure any agreements are reviewed and critiqued. If possible, have the agreements reviewed to assess risk. This risk opinion can be shared to determine the next steps required, if any. Your BIA may determine whether the risk is acceptable.

All financial commitments should have a corresponding contract that is approved by all parties.

A running list of subscriptions should be maintained for your bookkeeper.

ii) Authorization

Any contracts related to the provisions of goods or services must be approved by the Board of Management. The approval should be done in accordance with the [Authorization Policy in Section 3A](#) in place for all expenditures. Should the agreement be a multi-year agreement, the lifetime value of the agreement will be the amount that is subject to approval in accordance with the [Authorization Policy](#).

iii) Standard terms

Typical payment terms under such contracts may vary depending on the service provided.

For normal operating expenditures that are recurring in nature, payment may typically be negotiated with the vendor as payable upon completion of/beginning of monthly services and therefore payable monthly.

Certain projects executed under a contractual agreement that are longer-term in nature may be payable based on project milestones or other deliverables that do not have a fixed time frame. Progress billing should be considered in this scenario as the project unfolds.

D – Insurance

Various forms of insurance are required to protect the BIA from liability exposure. Insurance policies will typically run on a 12-month coverage period, which requires annual renewal. All policies should be kept together in an electronic repository.

i) Physical office – required for all BIA's

Provider:

Policy Number:

Policy Period:

Contact:

ii) Directors and Officers – highly recommended for all BIA's (renews through TABIA)

Provider:

Policy Number:

Policy Period:

Contact:

iii) Commercial Liability – (automatically renews through City)

Provider: Chubb Insurance Company of Canada

Policy Number:

Policy Period: June 1 – May 30

Contact:

iv) Workplace Safety and Insurance Board (WSIB) – mandatory employer insurance

Provider: WSIB

Account Number:

Policy Period: Calendar

Details: WSIB premiums are \$0.45 per \$100 of insurable earnings in 2023. The rates are subject to indexing every year.

[How to calculate your premium and insurable earnings](#)

[When to report and pay your premiums](#)

Contact:

v) Cyber – recommended but not mandatory for BIA's

Provider:

Policy Number:

Policy Period:

Contact:

E – Sales tax (Harmonized sales tax – HST)

Note: all HST/sales tax activity is administered under your 1 CRA 9-digit business number, ending in RT0001.

This number is located in the [General](#) section of the manual.

i) Public Service Bodies (PSB) rebate

The PSB rebate allows the BIA to claim a portion of HST paid or payable on eligible expenses as a refund from the Canada Revenue Agency.

The BIA is considered a municipality for the PSB rebate, meaning it qualifies to claim a rebate on eligible expenses of:

- 100% of the federal portion of HST
- 78% of the provincial portion of HST
- The federal and provincial portions of HST in Ontario are 5% and 8%, respectively

[How to calculate the PSB rebate \(using the regular method\)](#)

The PSB rebate must be applied for twice annually:

- January to June
- July to December

[How to apply for the PSB rebate](#) – note that Form GST66 and Form RC7066-SCH are required for each application.

ii) How to account for HST paid on expenses

The accounting software and chart of accounts should be set up to appropriately account for HST paid on eligible expenses. Tax codes should be set up in the accounting software that results in the following as individual expense invoices are entered into the system:

- The federal portion of the HST should be recorded as “GST receivable” on the balance sheet
- 78% of the provincial portion of the HST should be recorded as “PST receivable” on the balance sheet
- The remainder of the HST (1.76% of the total 13%) paid should be recorded in the underlying expense account

Doing this will mean that during every PSB filing period, the balance sheet can be run to determine the portion of HST that is eligible for the rebate, determined as the amount receivable setup on the balance sheet. Separating the federal and provincial amounts receivable under the rebate will be important for completing the two required forms per above.

It should be noted that the above rates only apply to expenditures paid to vendors located in Ontario. For vendors in other provinces/countries, sales tax amounts will differ.

iii) HST charged on revenues

NOTE: Please consider reviewing your HST collection and remittance obligations whenever there is a new source of revenue being introduced from your BIA. It is recommended that you seek sales tax advice from your accountant in such scenarios.

The BIA is generally exempt from collecting HST as levies are not subject to HST, however once other forms of revenue constitute a supply of products or services, charging HST will need to be re-evaluated. **Once you start charging and collecting HST, these amounts collected must be remitted to CRA.** See the Revenue section of the manual for other such forms of revenue.

The BIA will be deemed a “small supplier” and therefore will not be required to collect and remit HST on revenues if the total amount of products and services supplied within any 4 consecutive quarters does not exceed \$50,000. Below are the different scenarios possible:

- Taxable products and services do not exceed \$50,000 within 4 quarters

The BIA will transfer all cost components to the customers, including the non-recoverable HST at 1.76%. For example, if the BIA purchased a bag at \$100, and HST at \$13. The BIA will claim back the HST rebate from CRA of \$11.24 out of \$13 HST. The non-recoverable HST is \$1.76 (\$13 - \$11.24). The selling price is \$100 plus \$1.76, or \$101.76. The customer will pay \$101.76 to the BIA without any HST charge.

- Taxable products and services exceed \$50,000 within 4 quarters

Once the cumulative total amount of the taxable sales have reached \$50,000 at any time within 4 quarters, then the BIA will have to collect HST at 13% on a prospective basis. The BIA will have to notify the CRA Business Window immediately by calling 1-800-959-5525 for information on whether they can use the existing business number to collect HST and file the HST returns. The BIA may have to file the HST monthly or quarterly returns, in addition to claiming the PSB rebate. The CRA staff at the Business Window will advise the BIA staff on what to do.

- Point of Sale system & receipt billing name

The BIA will have to arrange a Point-of-sale system for credit/debit sales. This point-of-sale system will have the name The Board of Management of the BIA, to be printed on a receipt. This system, together with any manual recording process, should track the amounts of the sales proceeds quarterly, to see if the \$50,000 threshold has been reached. The BIA should not use any member's point-of-sale system to record the sales. If the HST is charged, the HST number, as confirmed with the CRA business window, should be shown on the receipts.

F – Employee Expense Reimbursement Policy

i) Description

Employees may sometimes purchase items or services that are work-related. Wherever possible, a corporate method of payment (credit card, cheque etc.) should be utilized – employee expense reimbursement should only be pursued in situations where it is not possible/feasible to pay through a BIA credit card or cheque. In such cases, the BIA may reimburse them, provided the expenses incurred are budgeted for and relate to BIA operations. Any non-budgeted items must be approved by a direct supervisor or Executive Director before purchase. When employees are eligible to be reimbursed, the payment to them should be processed in accordance with the [Purchasing Procedure outlined in Section 3A\(iii\)](#) of the manual. ***The policy should be documented in the Employee Handbook.***

ii) Reimbursable expenses

The most common reimbursable expenses are:

- Office Supplies
- Business travel and accommodation
- Local transportation if required for work purposes.
- Conferences, education, and training
- Approved work-related outings, meals, or entertainment.

For all expenses regardless of size, written approval from the Executive Director should be maintained along with expense records and receipts.

iii) Non-Reimbursable expenses

The most common non-reimbursable expenses are:

- Any non-work-related personal purchases
- Lost personal property
- Unauthorized upgrade on a flight, accommodation, or other services
- Expenses incurred by the spouse or other non-employees
- Personal meals or entertainment
- Local transport to get to/leave the place of employment

If the direct supervisor or the Executive Director does not deem them appropriate or necessary for work, the expense will not be reimbursed. If an employee is at any time unsure about whether an expense can be reimbursed, they should consult their direct supervisor or the Executive Director.

iv) Reimbursement protocol

Employees should:

- Keep all original receipts for reimbursable expenses
- Make sure the date of the expense is accurate
- Fill out the Employee Expense Reimbursement form (see Templates section of the manual) as accurately as they can
- Select the appropriate category for the expense (i.e., social media, office supplies, travel, or meeting expenses)
- Write any additional notes or details of the expense
- The form must be submitted to the Operations Manager by the 15th of the following month.

Failing to meet any of these requirements may delay reimbursement.

The BIA should process reimbursement cheques monthly during the final accounts payable payment processing of each month.

G – General expense considerations

i) When to recognize expenses

As the BIA is required to report under PSAB generally accepted accounting practices, the accrual method of recognizing expenses should be followed. This means that expenses should be recognized as an expense when the underlying benefit of the expense has been realized. ***Example:*** IT services are provided to your BIA in December 2023. The supplier invoice you dated December 31, 2023, however, you do not receive the invoice until Jan 23, 2024. The expense should be recorded as a December 2023 expense, when the services were performed and the invoice was dated.

Deposits or advances that are paid ahead of realizing an economic benefit should initially be recorded as a prepaid expense and indicated as an asset on the balance sheet. It should remain there until the benefit has been realized, at which point it should be transferred to expenses.

Conversely, invoices that are received late (or not received at all) should be recorded at the time the economic benefit was realized. It is important to accrue all outstanding liabilities at each fiscal year's end, even in the event the vendor invoices are not received until after the year's end. ***The books should remain open until at least the end of January following year's end to capture all invoices that may pertain to December or earlier.***

ii) Where to allocate expenses in financial reporting

The budget allocations should always remain the key driver of reporting in the financial statements. Wherever an expense was initially budgeted for in the City-approved version of the budget is where the actual expense should be recorded in the financial statements.

Budget allocations should not be amended from the City-approved version of the budget after approval. Your internal financial statements should try to emulate the budget line items as closely as possible. All expenses recorded in the financial records during the year should be allocated to whichever budget line item they were included in.

This format will allow for the easiest and most accurate form of reporting actual spending versus budget.

H – Cost-share projects

The BIA may be required to work in partnership with the City on cost-sharing projects, which are generally larger-scale streetscape improvement work done to the physical public realm. These projects will often be structured and funded on a 50/50 basis between the BIA and the City. In these scenarios, the City will bill the BIA for work done. A BIA should have requisite funds in the bank at the start of a major cost-share project to cover at least the initial project phase.

Some projects may take years to complete, and due to construction patterns, a Change Notice may be issued by the City of Toronto Project Manager assigned to your project. The Change Notice includes modifications to the timing/scope of work being done and must include the estimate for the work listed on the Change Notice **before** the work is done. **Proper Board approval of these changes should be documented and noted in the Board meeting minutes**. This Change Notice will be added to the cost of the Capital Cost Share Project.

4. PAYROLL

The payroll function is an important one, as it manages the information and financial reporting around the BIA's human capital. Just as importantly, payroll for the BIA can often be the largest overhead cost and among the largest overall spend.

A – New employees/volunteers

i) Hiring process

Overview – The BIA practices equal opportunity hiring processes when filling positions and hires the most qualified individuals to ensure the success of the organization. The BIA has adopted this policy to ensure that all employees and potential candidates are considered for employment opportunities fairly and consistently. The BIA adheres to the Ontario Human Rights Code.

Recruitment – Upon approval of the budget of the position, a job description is created by the Executive Director and approved by Executives (Chair, Vice Chair, Treasurer, Secretary). Once the job description is created it may be shared among electronic sourcing options such as LinkedIn, Indeed and the BIA community group on Facebook.

Interviews – will be conducted by at least two BIA representatives (i.e. staff and/or Board members), for the most qualified candidates before any offer of employment. A copy of the job description will be made available to each applicant before the interview. All candidates participating in interviews will be notified of the results. Consider the use of an employee evaluation tool or common questions to help drive the interview.

Reference checks – mandatory for all new employees. A minimum of two references should be obtained for all new employees before the beginning of their employment. Employment may be conditional upon the positive result of the reference check. The references should be able to outline near-term work history, job responsibilities and overall job performance.

Background and criminal checks – mandatory for all new employees. This is a search of police records on an individual. When a police record check is requested, consent must first be granted by the employee candidate. Employment may be conditional upon the successful completion of a background check.

Direct deposit information – banking information should be obtained from the new employee to ensure the direct deposit is set up for paying remuneration.

Hiring – Employment shall not commence until a job description and compensation package have been approved by the Chair. Where applicable, the BIA's HR Committee should provide a form of approval before the hire is made. **The appropriate personal information should be sourced from the successful candidate, as outlined below in *Employee Informational Database*. The individual hired should also be required to review and sign an approval form to confirm their adherence to an Employee Handbook.**

Training – Refer to [Ontario Health and Safety training](#) for basic awareness training under the Occupational Health and Safety Act.

ii) Tax forms TD1 (Federal) and TD1ON (Provincial)

The TD1 tax form is a form distributed to new employees to determine the amount of tax to be deducted at source from an individual's employment income from the BIA. The employee should be asked to complete the form before their first pay to identify if there are reasons to withhold more or less income tax at source from an individual's pay. If the employee does not complete the TD1 form, the BIA will deduct taxes based on the employee claiming only the basic personal amount as a tax credit. Note there is both a Federal and Ontario form which can both be found in the Templates section of the manual.

iii) Employment agreement

The employment agreement entered into with a new employee should be signed by both the BIA and the employee to show adequate consent to the terms of employment. The signed copy should be kept in an employee file.

See the Templates section of the manual for an Employment Agreement template. The employment agreement at a minimum should include job title, start date, hours of work, rate of pay, description of role and responsibilities and eligibility for benefits. **BIA legal counsel should review the template before distribution. Legal counsel information can be found in the [General](#) section of the manual.**

B – Existing employees

i) Salary or hourly rate increases

Increases to remuneration should be formally documented. Although an entirely new employment agreement is not required, documenting some form of the increase either through a signed agreement amendment, email or another form of communication, to indicate consent from the employee, is recommended.

Remuneration increases should be approved by the Executive Director and the Chair, and the Chair should be fully disclosing to the Executives of the Board (Vice Chair, Secretary, Treasurer).

ii) Annual bonuses

Bonuses to staff are not mandatory; they are discretionary at the determination of management (Executive Director and Board) – unless the bonus is structured as a retention bonus and is therefore disclosed as a commitment in the employee’s employment agreement (in this case, the retention bonus should be approved by the Board before the executive of such an agreement).

Bonuses to staff should be approved by the Executive Director and Treasurer.

Bonuses to the Executive Director should be approved by the Chair and another Board representative. A bonus to the Executive Director should be approved by the Board and based on meeting clear expectations listed in advance where possible.

iii) Employee informational database

A repository of all employee information should be kept confidential. All documentation outlined in the above sections as well as personal identification information for all employees (such as SIN, date of birth, emergency contact and address) should be kept on file and secured. Any electronic versions should be password protected and all information held should only be available to the Executive Director, the bookkeeper and the Treasurer.

iv) Working from home

Employees may opt to/be asked to work from home. If so, they may be eligible to claim a home office tax credit on their tax returns each year the credit is available. For them to claim the credit, Form T2200S must be completed and signed by the BIA. See the [Templates](#) section of the manual for the T2200S form. It should be indicated that the employee worked from home due to COVID-19 and that they were required to personally pay home office expenses that were used directly for their employment with the BIA. If an employee is asked to work from home for non-COVID related reasons, the full form Form T2200 (not the T2200S) should be issued to them.

v) Employment benefits

BIA employees are eligible to participate in the TABIA group benefits program that is administered through RBC. Employees are also eligible to participate in the TABIA critical illness program that is administered through Chubb Life Insurance Company. Employees are required to enrol in each respective group benefits program after they have met certain conditions, including a probationary work period. Details of this can be found through TABIA.

C – Third-party payroll service providers

i) Ensuring appropriate information security

Should a third-party payroll service provider be used to process payroll, consideration should be given as to the appropriateness of the service provider's internal controls and information security. Service providers will typically issue a Service Auditor's Report (i.e. SOC1 report) commenting on the effectiveness of internal controls present within the service organization. This document should be reviewed, particularly about information security and deliberation should be given as to how the service organization's security weaknesses can be addressed through cyber security insurance (discussed in the Insurance section).

D – Pay cycle protocol

i) Pay period

The BIA's pay period is bi-weekly for salaried staff.

Employee net pay is remitted via direct deposit. As mentioned in the [New Employees](#) section above, the direct deposit information should be obtained from all new employees for this purpose.

ii) Oversight on each pay period

Any adjustments required to salaried staff information should be updated by the bookkeeper monthly and approved by the Executive Director. Bonuses paid in a specific pay period should be documented and vouched to the approved bonus amount as per the Executive Director.

Hourly staff should submit their hours covering the pay period to the Operations Manager. Once finalized, the summary should be approved by the Executive Director before being submitted to the bookkeeper to process payroll.

The Executive Director should also review the payroll register after the payroll has been processed for each pay period.

iii) Withholding taxes

Canada Pension Plan (CPP) - The Canada Pension Plan (CPP) is a contributory, earnings-related social insurance program. It forms one of the two major components of Canada's public retirement income system. CPP is deducted from the insurable earnings of staff unless the staff person is either under or over the mandatory age for the deduction; in such case, documentation will be filed in the employee's file verifying this fact and sent to the CRA if circumstances require it. CPP employee contributions have an annual maximum that is indexed each year. Starting in the pay period when the maximum is reached, an employee should no longer have CPP withheld from their pay until the new calendar year begins. The BIA as an employer must match all employee CPP premiums paid, on a 1:1 basis. The employer portion of CPP is also annually maxed at the same amount as the employee maximum. In 2023, the CPP maximum contribution is \$3,754.45 per employee which is reached when an individual has received \$66,600 of employment income.

Employment Insurance (EI) - The Employment Insurance (EI) program provides temporary income support to unemployed workers while they look for employment or to upgrade their skills. The EI program also provides special benefits to workers who take time off work due to specific life events (e.g. illness). EI is deducted from the insurable earnings paid to BIA staff. EI employee contributions have an annual maximum that is indexed each year. Starting in the pay period when the maximum is reached, an employee should no longer have EI withheld from their pay until the new calendar year begins. The BIA as an employer must match all employee EI premiums paid, on a 1.4:1 basis. In 2023, the EI maximum contribution is \$1,002.45 which is reached when an individual has received \$61,500 of employment income. The EI employer maximum is therefore \$1,403.43 for 2023.

Federal and provincial income tax - Each staff person will be required to fill out a Federal and Ontario TD1 form at the beginning of employment. They will be required to fill out the TD1 forms annually thereafter if they indicated a withholding amount other than "Basic" during the previous calendar year. Staff will have tax deductions from insurable earnings based on their TD1 claim forms.

Withholdings on bonuses – should an employee decide to transfer all or a portion of their annual bonus to a Registered Retirement Savings Plan (RRSP), no withholdings will be required on this amount.

Remittance to CRA – each pay period, the total withholdings of CPP, EI and income taxes must be remitted to the CRA. This will include all employee contributions of CPP and EI, plus all employer (BIA) matched contributions of CPP and EI, as well as federal and provincial income taxes.

iv) Calculating employee withholdings

The [CRA's Payroll Deductions Online Calculator \(PDOC\)](#) can be used to calculate federal and provincial payroll deductions, including CPP, EI and federal/provincial income taxes. Note that the reliability of the calculations produced depends on the accuracy of the inputs.

E – Annual Filing Requirements

i) T4, T4A and T2200S

T4 slips – for every calendar year, each employee of the BIA must be issued a T4 slip, Statement of Remuneration Paid. If a third-party payroll service provider is used, they will typically be able to issue all required slips. The slip is an individual summary of gross employment income and the employee's CPP, EI and income taxes withheld. All slips must be filed with the Canada Revenue Agency by February 28th following the calendar year.

T4 Summary – for every calendar year, a T4 Summary of Remuneration Paid must be prepared and filed with CRA. The T4 Summary is a consolidation of all the T4 slips prepared per employee, summarizing the total gross remuneration and related withholdings. It is also a reconciliation of the total remittances paid during the year throughout all pay periods, compared to the balance owing according to all T4 slips prepared, as a mechanism to ensure there is no over- or under-remittance of withholdings. The T4 Summary must be filed along with the T4 slips and is due by February 28th following the calendar year. [See how to fill out the T4 Summary.](#)

T4A slips – for every calendar year, T4A slips may be required for fees that the BIA paid to non-employees for services that exceed \$500. There will typically be no withholdings on such amounts unless the amounts are paid to non-residents of Canada. Before preparing such slips, determining whether these slips are required each year should be thought through to ensure there is a reporting requirement. [See the types of income to report on T4A slips.](#)

T4A Summary – Similar to the T4 Summary, a T4A Summary will be required annually when T4A slips are prepared, to summarize the total amount of slips issued and the total amount of income reported on all slips. [See how to fill out the T4A Summary.](#)

All T4 and T4A slips and summary filings are administered through the BIA CRA 9-digit payroll account outlined in the General section of the manual.

T2200S – This form does not need to be filed with CRA, but should be completed and issued to employee's for their own personal tax return record keeping.

ii) Employer Health Tax (EHT)

Employer Health Tax (EHT) – EHT is a payroll tax on employee remuneration (such as salaries and bonuses) that the BIA is responsible for reporting and remitting. This is not a tax withheld from employee pay, but rather a business expense for the BIA. The purpose of the tax is to assist in providing the provincial government with revenue to fund health care in Ontario. EHT is calculated as 1.95% of all gross wages and remuneration paid. The BIA is required to remit EHT monthly and to file an annual return reconciling the total remittances to the amount payable for a calendar year. The EHT is a provincial tax and therefore is not administered through CRA; the Ontario Ministry of Finance is the administer of EHT and therefore a separate account outside of CRA must be established. [See a full explanation of EHT.](#)

iii) Oversight on annual filings

On a calendar basis, the bookkeeper should prepare all the above-mentioned filings and the Executive Director should review them. The ED should then review all T4 slips and the T4 Summary with the Chair. During this review, the Chair should be able to tie the T4 gross salary amounts for each employee to their respective employment offer or latest documentation of salary (if they have received a salary increase since their employment agreement). Consideration should be given to reconciling all individual remuneration per the T4 slips to the underlying employment agreements for all employees. The same exercise can be applied to T4A slips and summaries.

F – Determining if an individual is self-employed or an employee

Distinguishing between an employee and a self-employed individual comes down to many factors, but most prominently:

Control – the degree of control or independence of the individual. If the BIA has a strong ability to exercise control in terms of subordination, work schedule, work performed, and decision-making over working for others, this can be an indication of an employee arrangement. A strong sense of independence may indicate a self-employed arrangement.

Tools and equipment – the provider of tools and equipment. Should the BIA provide most of the necessary tools and equipment while retaining ownership of the item, it indicates an employee arrangement. Tools and equipment provided by the individual, replacement cost required by the individual and significant work completed outside of the BIA physical places of work indicate a self-employed arrangement.

Use of subcontractors – a strong ability to outsource services instead of performing all tasks themselves may indicate a self-employed arrangement.

Financial risk – employees may typically have little to no financial risk associated with their employment as expenses may be reimbursed and they do not have fixed or overhead operating costs they are required to pay as part of their employment. Self-employed individuals may have operating costs that resemble a business, and they incur these costs whether or not they are performing work for the BIA.

[See a full listing of considerations](#) to help make this determination. All facts should be considered.

5. TEMPLATES

- A. [Organizational Chart](#)
- B. [Customer Invoice](#)
- C. [HST PSB Rebate \(GST66 and RC7066 Forms\)](#)
- D. [Employee Expense Reimbursement](#)
- E. [Request for Proposal](#)
- F. [Contractor and Consultant Agreement](#)
- G. [Employment Agreement \(full-time and part-time\)](#)
- H. [Tax Form TD1 and TD1ON for New Employees](#)
- I. [Board Meeting Financial Statement Reporting](#)
- J. [Financial Controls Checklist](#)
- K. [BOM Meeting Agenda and Minutes](#)
- L. [Petty Cash Expense Log](#)
- M. [T2200S – Work From Home Employee Tax Credit](#)
- N. [Calendar of Key Dates](#)
- O. [Purchasing Procedure - Flowchart](#)

Memorandum

To: Management of BIA

From: Dustin Jainaraine

Date: 2025

Subject: **Request for Information**
2024 audit of Business Improvement Area

In preparation of the 2024 audit, we have listed the following items that should be prepared prior to the commencement of the engagement **(please provide all items in electronic format where possible):**

General

- (a) A copy of the summary trial balance at December 31, 2024 in excel format ;
- (b) A copy of the internal balance sheet and income statement for the year ended December 31, 2024 ;
- (c) A copy of the detailed general ledger for the period ending December 31, 2024 in excel format
- (d) Detailed general ledger for the period Jan 1 **2025** – current in excel format;
- (e) General journal report for all manual journal entries entered in 2024 ;
- (f) Copies of all legal expense invoices during the year and other documentation relating to any new or continuing litigation;
- (g) Copies of the minutes to the Board of Director meetings during 2024/2025;
- (h) Copy of the signed budget summary for 2024 and the excel version (which includes your comments on budget:actual variances and prior:actual variances that exceed both \$5,600 **and** +/-15%);
- (i) Updated financial and operational policies.

Cash and investments

- (a) Copies of all bank and investment statements at December 31, 2024;
 - (b) Copies of reconciliations for all bank accounts at December 31, 2024 listing outstanding deposits and cheques;
-

Cash and Investments (continued)

- (c) Explanations for any unusual items or outstanding items for over 6 months on the bank reconciliations as at December 31, 2024;
- (d) Supporting documents for the first 5 transactions on each January 2025 bank and investment statements;
- (e) Schedule detailing accrued interest at year end
- (f) Copies of any investment confirmations for investments entered into/matured in 2024.

Accounts Receivable

- (a) An aged accounts receivable listing at December 31, 2024 (excluding the City of Toronto);
- (b) Copies of the HST/PSB rebates filed during the year;

Prepaid Expenses

- (a) List of prepaid expenses at December 31, 2024;

Accounts Payable

- (a) An aged accounts payable listing as at December 31, 2024 (other than the City of Toronto);
 - (b) For all miscellaneous and accrued payable accounts, provide a breakdown;
 - (c) Payroll summary report for the period accrued issued from payroll service provider
 - (d) Signed bonus recommendation for 2024;
 - (e) All unpaid invoices after year end as of current;
 - (f) A cheque log of all cheques issued after year end and an accounts payable listing as at the start of the audit fieldwork date;
 - (g) VISA statements for December 2024 and January 2025 (when available).
 - (h) Backup documentation for deferred revenue (ie contract/other agreements)
 - (i) Any cost sharing invoices relating to 2024 cost sharing items;
-

Commitments

- (a) Copy of any long-term commitments (ie rent and/or IT service contracts) entered into or terminated in 2024/2025;
- (b) Schedule of any commitments for each of the next 5 years.

Revenue

- (a) Provide copies of grant documents for any grants received during the year;
- (b) Details of any miscellaneous revenues received during the year.

Expense

- (a) Copy of 2024 T4 Summary from service provider (when available);
- (b) Reconciliation of the 2024 T4 summary with the salary expense account and provide an explanation for any material differences.
- (c) Employee listing with all employees and their respective salaries/hourly rates

If you have any questions, please feel free to call.

January 27, 2025

Board of Directors
Business Improvement Area

Dear Board of Directors:

We have been engaged to audit the financial statements of Business Improvement Area ("Organization") for the year ending December 31, 2024. Canadian auditing standards require that we communicate the following information with you in relation to the audit.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter we will:

- a) Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b) Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

Management Responsibilities

As outlined in the engagement letter, management is responsible for establishing and maintaining adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error. Management is also responsible for providing us with complete and accurate information.

Our Responsibilities as Auditors

As outlined in our engagement letter, our responsibility as auditors of the Organization is to express an opinion on whether the financial statements present fairly in all material respects, the financial position, results of operations and cash flows of the Organization in accordance with Canadian public sector accounting standards.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate are material to the financial statements taken as a whole, and
- Examining on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of the Organization to plan the audit. This will include management's assessment of:

- The risk the financial statements may be materially misstated as a result of fraud and error; and
- The internal controls put in place by management to address such risks.

Board of Directors' Responsibilities

The Board of Directors' role is to act in an objective, independent capacity as a liaison between the auditors, management and the board of directors, to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

The Board of Directors' responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or auditors' report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquires as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness.

Audit Approach

Outlined below are certain aspects of our audit approach, which are intended to assist you in discharging your oversight responsibilities. Our general approach to the audit of the Organization is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

Independence

We hereby confirm that we are independent with respect to the Organization within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Planned Scope and Timing of Our Audit

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian public sector accounting standards.

In developing our audit plan, we worked with management to understand the nature of the entity and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, are limited to those considered necessary in the circumstances and would not necessarily disclose all illegal acts, fraud, intentional misstatements or errors should any exist. We will conduct the audit under Canadian auditing standards, which include procedures to consider (based on the control environment, governance structure and circumstances encountered during the audit), the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor would they necessarily detect such acts or recognize them as such, even if the effect of their consequences on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate this information directly to the board of directors.

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or board of director members become aware of circumstances under which the Organization may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individual have an economic interest.

We will ensure that all related party transactions that were identified during the audit have been represented by management to have been disclosed in the notes to financial statements, recorded in accordance with Canadian public sector accounting standards and have been reviewed with you. All gains and losses occurring as a result of transactions with related parties will be recorded in accordance with the recommendations of Section 3840 of the CPA Canada Handbook. The Board of Directors is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.

Significant Changes During the Year

Based on our discussions with management and our understanding of the Organization, the significant changes are as follows:

- a) Entity operations and personnel;
 - No significant changes in fiscal 2024.

- b) Accounting and control systems;
 - *No significant changes in fiscal 2024.*
- c) Accounting and auditing standards; and
 - *PSAB, no change from prior years.*

Risk-based approach

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on higher risk areas that have a higher likelihood of being materially misstated.

Based on our knowledge of the Organization's business, we have identified the following areas that have a potentially higher risk of a material misstatement:

Accounts payable and accrued liabilities

Risk: The completeness of accounts payable is an area that is at risk of a potential misstatement. Generally, there are invoices received subsequent to year end pertaining to fiscal year being audited. Therefore there is a risk that these items were not recorded in the proper period.

Response: To address this risk we will be examining transactions subsequent to year end to determine if they are recorded in the proper period. We will also assess the reasonableness of the accruals through discussions with management, examining invoices received subsequent to year end pertaining to the accruals, and comparing prior year accruals to actual expenses to evaluate the reasonableness of management estimates.

Expenditures

Risk: The legitimacy of expenses is a potential risk area, as the Organization receives funding for specific purposes based on budgets approved by the Board, its members and the City of Toronto.

Response: Our work in this area will include a substantive sample of expenses which will be selected for examination to ensure that they are being recorded in the correct accounts. Analysis will also be performed on accounts for their fluctuations against prior years and against the budget.

Oversight of the organization

Risk: Similar to other organizations where there is limited staff involved with the accounting function, there is a lack of segregation of accounting duties which is essential for having a high degree of internal controls.

Response: Our audit will involve extensive substantive work due to the limited internal controls that can be relied on. As part of the audit, we will identify and make recommendations on operational areas which we feel could be strengthened to improve the internal controls of the Organization.

Materiality

Materiality in an audit is used to:

- Guide planning decisions on the nature and extent of our audit procedures
- Assess the sufficiency of the audit evidence gathered; and
- Evaluate any misstatements found during the audit.

Materiality is defined for the purposes of the audit as the magnitude of an omission or misstatement of financial information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We plan to use a materiality of \$37,000. The materiality for last year's audit was \$35,000.

Materiality for public sector organizations is generally based on 1/2 to 2% of either revenue or expenditures. As funding is based on budgeted expenses, expenditures will be used to calculate materiality. We have based materiality on 2% of expenses.

A materiality level of \$37,000 implies that we could be examining items or transactions as low as \$4,163 depending on the assessed risk of material misstatement for each financial statement area. Any errors or differences that are identified are accumulated on the schedule of unadjusted items. The aggregate of the items are examined at the end of the audit and compared to the materiality to determine if the financial statements as a whole are materially misstated.

Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Audit Procedures

In response to our risk assessment, we will use a substantive approach for the audit of the Organization.

This communications is prepared solely for the information of the board of directors and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

Timing

The proposed timing of our audit (as discussed with management) is as follows:

| Action | Planned Date |
|--|-------------------|
| Start of audit field work | February 2025 |
| End of audit field work | February 2025 |
| Present audit findings letter to the board of directors | March 2025 |
| Approval of financial statements by the board of directors | End of March 2025 |
| Provide the audit opinion on financial statements | End of March 2025 |

Engagement Team

Our main contacts for this audit engagement will consist of the following personnel:

| Name | Role | Contact Details |
|------|------|-----------------|
| | | |
| | | |

Audit Questions and Requests

Fraud

To help us in identifying and responding to the risks of fraud within the Organization, we would appreciate your responses to the following questions:

1. What oversight, if any, do you provide over management's processes for identifying and responding to fraud risks? Management's processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
2. Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the entity? If so, please provide details and how the fraud or allegations of fraud were addressed.

Other Matters

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies, events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

In closing, in response to our risk assessment we will use a combined test of controls and substantive approach for the audit for the Organization. We also recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This communication was prepared for the sole use of those charged with governance of the Organization to assist in carrying out and discharging their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

Chartered Professional Accountants
Licensed Public Accountants