

**CONDOMINIUM CORPORATION NO. 092 4818
MACEWAN GARDENS II
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

Barbara L. Surry
Certified Management Accountant

**CONDOMINIUM CORPORATION NO. 092 4818
MACEWAN GARDENS II**

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BARBARA L. SURRY

CERTIFIED MANAGEMENT ACCOUNTANT

Independent Auditor's Report

To the owners of the: Condominium Corporation No. 092 4818

I have audited the accompanying financial statements of Condominium Corporation No. 092 4818 which comprise the Statement of Financial Position as at September 30, 2015 and September 30, 2014 and the Statements of Operations and Changes in Net Assets for the Operating Fund and Capital Replacement Reserve Fund and the Statement of Cash Flows for the years ended September 30, 2015 and September 30, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Condominium Corporation No. 092 4818 as at September 30, 2015 and September 30, 2014 and its financial performance and cash flows for the years ended September 30, 2015 and September 30, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
March 2, 2016


Certified Management Accountant

**CONDOMINIUM CORPORATION NO. 092 4818
MACEWAN GARDENS II**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015

	Operating Fund	Reserve Fund	Total 2015	Total 2014
ASSETS				
Current assets				
Cash	\$ 134,815	\$ 297,025	\$ 431,840	\$ 225,588
Accounts receivable	1,627	33,107	34,734	3,764
Accounts receivable - other	6,106	-	6,106	-
Due from reserve fund	-	-	-	2,048
Prepaid expense	<u>12,495</u>	<u>-</u>	<u>12,495</u>	<u>10,360</u>
	<u>\$ 155,043</u>	<u>\$ 330,132</u>	<u>\$ 485,175</u>	<u>\$ 241,760</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Payables and accruals	\$ 56,380	\$ -	\$ 56,380	\$ 66,292
Due to operating fund	-	-	-	2,048
Security deposits	<u>40,430</u>	<u>-</u>	<u>40,430</u>	<u>40,430</u>
	<u>96,810</u>	<u>-</u>	<u>96,810</u>	<u>108,770</u>
Net assets				
Internally Restricted Reserve Fund	-	330,132	330,132	113,876
Unrestricted Operating Fund	<u>58,233</u>	<u>-</u>	<u>58,233</u>	<u>19,114</u>
	<u>58,233</u>	<u>330,132</u>	<u>388,365</u>	<u>132,990</u>
	<u>\$ 155,043</u>	<u>\$ 330,132</u>	<u>\$ 485,175</u>	<u>\$ 241,760</u>

Approved by the Board

_____ Director

_____ Director

Barbara L. Surry
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**CONDOMINIUM CORPORATION NO. 092 4818
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**OPERATING FUND - STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2015 Actual	2015 Budget (Note 9)	2014 Actual
REVENUE			
Condominium fees	\$ 684,708	\$ 684,708	\$ 621,979
Insurance recovery - prior year	7,500	-	-
Interest and other	<u>2,699</u>	<u>-</u>	<u>2,199</u>
	<u>694,907</u>	<u>684,708</u>	<u>624,178</u>
EXPENSES			
Administration			
Insurance and appraisal	64,846	64,200	62,231
Management fees	44,692	44,734	44,692
Office	6,042	3,004	2,748
Professional fees	2,430	2,400	2,938
Bank charges	1,239	1,080	1,130
Reserve fund study	<u>-</u>	<u>1,500</u>	<u>6,773</u>
	<u>119,249</u>	<u>116,918</u>	<u>120,512</u>
Maintenance			
Building repairs and maintenance	75,795	80,460	83,487
Janitorial	32,769	33,000	33,551
Snow removal	12,202	16,000	12,910
Grounds maintenance	8,952	6,100	16,710
Elevator	7,371	8,500	7,430
Security	<u>5,002</u>	<u>6,670</u>	<u>5,719</u>
	<u>142,091</u>	<u>150,730</u>	<u>159,807</u>
Utilities (Note 7)	<u>289,448</u>	<u>312,060</u>	<u>313,346</u>
Total operating expenses	<u>550,788</u>	<u>579,708</u>	<u>593,665</u>
Excess of revenues over expenses	144,119	105,000	30,513
Operating fund net assets, beginning of year	19,114	19,114	28,601
Appropriation to Capital Replacement Reserve fund	<u>(105,000)</u>	<u>(105,000)</u>	<u>(40,000)</u>
Operating fund net assets, end of year	<u>\$ 58,233</u>	<u>\$ 19,114</u>	<u>\$ 19,114</u>

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**CAPITAL REPLACEMENT RESERVE FUND
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015	2014
REVENUE		
Special Assessment (Note 11)	\$ 110,000	\$ -
Interest	<u>1,256</u>	<u>825</u>
	<u>111,256</u>	<u>825</u>
EXPENSES		
Electrical	-	4,415
Landscape upgrade	<u>-</u>	<u>2,048</u>
	<u>-</u>	<u>6,463</u>
Excess (deficiency) of revenues over expenses	111,256	(5,638)
Capital Replacement Reserve fund net assets, beginning of year	113,876	79,514
Appropriation from the operating fund	<u>105,000</u>	<u>40,000</u>
Capital Replacement Reserve Fund net assets, end of year	<u>\$ 330,132</u>	<u>\$ 113,876</u>

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**CONDOMINIUM CORPORATION NO. 092 4818
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Operating Fund	Reserve Fund	Total 2015	Total 2014
Cash flows from operating activities:				
Condominium fees received	\$ 686,845	\$ -	\$ 686,845	\$ 621,275
Special assessment received	-	76,893	76,893	-
Other revenue received	1,567	-	1,567	1,069
Interest received	1,132	1,256	2,388	1,955
Suppliers paid	(561,441)	-	(561,441)	(574,382)
Security deposits received (paid)	-	-	-	(2,575)
Net cash provided by (used for) operating activities:	<u>128,103</u>	<u>78,149</u>	<u>206,252</u>	<u>47,342</u>
Cash flows from investing activities:				
Cash transferred to the reserve fund	(102,952)	-	(102,952)	(42,048)
Cash transferred from the operating fund	-	102,952	102,952	42,048
Net cash provided by (used for) investing activities:	<u>(102,952)</u>	<u>102,952</u>	<u>-</u>	<u>-</u>
Increase in cash	25,151	181,101	206,252	47,342
Cash, beginning of year	<u>109,664</u>	<u>115,924</u>	<u>225,588</u>	<u>178,246</u>
Cash, end of year	<u>\$ 134,815</u>	<u>\$ 297,025</u>	<u>\$ 431,840</u>	<u>\$ 225,588</u>

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**CONDOMINIUM CORPORATION NO. 092 4818
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. PURPOSE OF ORGANIZATION

The Condominium Corporation is considered to be a not-for-profit organization constituted without share capital and with unlimited liability, under the Condominium Property Act of Alberta. The purpose of the corporation is to manage the common property and to maintain and provide services for the benefit of all the owners in the condominium project operating as MacEwan Gardens II. The condominium project is comprised of 149 residential units, and 181 parking units and is located in Edmonton, Alberta.

2. SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared using Canadian Accounting Standards for Not for Profit organizations.

Fund accounting

The condominium follows the restricted fund method of accounting for contributions.

The operating fund reports the contributions from owners and expenses related to the operations and administration of the common elements. Minor repairs and replacements are charged to repairs and maintenance of the operating fund.

The capital replacement reserve fund reports the contributions from owners and expenditures for major repairs or replacement of the real or common property of the corporation. Only major repairs and replacements are charged directly to this fund. Interest earned on the reserve fund assets is credited directly to this fund. The Reserve fund assets are restricted in that they can only be budgeted for reserve fund expenses.

Contributed services

Volunteer services contributed on behalf of the Condominium Corporation in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their value.

Revenue recognition

Revenue is recognized on the accrual basis. Condominium fees are recognized as assessed based on unit factors. Interest and other revenue is recognized in the period earned.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Tangible capital assets

Common area assets of the corporation are owned proportionately by the owners of the units and as such are not reflected as assets in the financial statements. Additions are charged to operations in the year of purchase.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

3. INCOME TAXES

The condominium is incorporated under the Condominium Property Act of Alberta and is a taxable corporation under the Canadian Income Tax Act. Provided that substantially all of the corporation's gross revenue (other than interest) is derived from dealings with members, the Canada Revenue Agency is prepared to regard excess members' contributions as amounts required for the operations of the condominium property and not as income of the corporation or its members and therefore exempt under 149(1)(1) of the Income Tax Act. Accordingly, no provision for income taxes has been made in these financial statements.

4. FINANCIAL INSTRUMENTS

The Condominium Corporation's financial instruments consist of cash, accounts receivable, and accounts payable. The financial instruments are initially measured at fair value, and then at amortized cost, except equity investment which are quoted in a active market and which are measured at fair value. The financial assets recorded at amortized cost include cash, investments and accounts receivable. Financial liabilities recorded at amortized cost include accounts payable and accrued liabilities.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

4. FINANCIAL INSTRUMENTS (continued)

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write down is recognized on the statement of operations. Transaction costs are recognized in the period of occurrence, unless it is related to an asset that is measured at amortized cost, in which case the asset value will be adjusted by the related transaction cost.

The condominium corporation is exposed to several risks through its financial instruments. **Credit risk** arises from the potential that another party will fail to perform its obligations. Credit risk includes the risk that owners will fail to pay their condominium fees. To reduce this risk, the condominium corporation has the power to file caveats on the title of the units to ensure payment.

Liquidity risk is the risk that the corporation may not be able to meet its ongoing commitments to repair, replace or maintain the common property as necessary. The corporation meets its liquidity requirements by preparing an annual budget, having an insurance appraisal performed and ensuring that there is a capital replacement reserve fund study performed every five years, and using that information to prepare a five year plan. The corporation may also increase condominium fees and levy a special assessment if necessary, in order to meet its ongoing commitments.

Interest rate risk is the risk that the fair value of the financial instruments or future cash flows will vary due to changes in market interest rates. The exposure of the corporation to interest rate risk arises from its interest bearing investments.

5. STATEMENT OF CASH FLOW

The statement of cash flow has been prepared using the direct method.

6. COMBINED EXCESS OF REVENUE OVER EXPENSES

Combined excess of revenue over expenses (expenses over revenue), for the year is
\$255,375 , 2014 - \$ 24,875

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

7. UTILITIES

	<u>2015</u> Actual	<u>2015</u> Budget (Note 9)	<u>2014</u> Actual
Power	\$ 112,645	\$ 110,100	\$ 116,466
Water and sewage	67,220	70,800	67,420
Heat	57,903	80,400	81,381
Waste removal	45,980	45,240	42,861
Telephone	4,425	4,020	3,845
Cable	1,275	1,500	1,373
	<u>\$ 289,448</u>	<u>\$ 312,060</u>	<u>\$ 313,346</u>

8. CAPITAL REPLACEMENT RESERVE FUND

The corporation, as required by the Condominium Act of Alberta, has established a capital replacement reserve fund to be used for financing future major repairs and replacements of the common elements and assets.

The most recent Capital Replacement Reserve Fund Study was prepared in December 2013 by Wade Engineering Ltd. Their report provided recommendations for making contributions to the capital replacement reserve fund and the maintenance of a minimum fund balance. The recommended contributions are \$143,040 per year increased each year after the first year by 6%. The recommended minimum fund balance is \$ 237,000. The Board of Directors will use this information to plan condominium fee assessments and contributions to the Capital Replacement Reserve Fund. Under the Condominium Property Act, the Study must be updated every five years.

9. BUDGET FIGURES

While not forming part of the financial statements, budget figures have been provided for information. The budget figures are not audited.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

10. COMMITMENTS

The condominium corporation is committed to a contract for elevator maintenance with Schindler Elevators. The contract term is for a five year period commencing February 1, 2013 and ending January 2018. The contract will renew automatically unless written notice is served to cancel the contract on the termination date. The contract amount may be adjusted annually by the elevator company for changes in their labor rates. The current rate is \$ 613 per month payable quarterly.

The condominium corporation is also committed to a two year contract for management services. The contract term runs from October 1, 2013 to September 30, 2015 at a rate of \$ 3,547 per month plus GST.

11. SPECIAL ASSESSMENT

The Board of Directors levied a special assessment in the amount of \$ 110,000 for the purpose of increasing the reserve fund. The special assessment was assessed to the units on the basis of unit factors and was due on or before August 31, 2015.