

YORK REGION CONDOMINIUM CORPORATION NO. 848

FINANCIAL STATEMENTS

October 31, 2019

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To the Owners of
York Region Condominium Corporation No. 848.

Opinion

We have audited the financial statements of York Region Condominium Corporation No. 848 (the "Corporation"), which comprise the statement of financial position as at October 31, 2019, and the statements of operating fund, reserve fund 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 York Region Condominium Corporation No. 848 as at October 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Corporation 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 and directors are responsible for the preparation and fair presentation of the 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.

In preparing these financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

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 Corporation'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 Corporation'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 Corporation 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.

Milton, Ontario,
January 28, 2020.

Burnell, Thompson
**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

YORK REGION CONDOMINIUM CORPORATION NO. 848

STATEMENT OF FINANCIAL POSITION

October 31	2019	2018
ASSETS		
OPERATING FUND		
Cash	\$ 6,941	\$ 3,772
Prepaid expenses	1,695	8,383
	8,636	12,155
RESERVE FUND CASH	33,593	67,604
	\$ 42,229	\$ 79,759
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - operating	\$ 4,867	\$ 6,623
- reserve	-	1,009
	4,867	7,632
FUND BALANCES		
Reserve fund (note 3)	24,230	66,595
Operating fund	13,132	5,532
	37,362	72,127
	\$ 42,229	\$ 79,759

See accompanying notes on pages 7 to 9.

Approved by the Board:

_____ Director	_____ Director
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YORK REGION CONDOMINIUM CORPORATION NO. 848

STATEMENT OF OPERATING FUND

For the Year Ended October 31	Budget	2019	2018
	(note 5)		
REVENUE			
Owners' contribution	\$ 75,000	\$ 74,999	\$ 71,500
Less: Contribution to the reserve fund	(22,870)	(22,870)	(22,510)
Owners' contribution to the operating fund	52,130	52,129	48,990
Other income	500	119	119
	52,630	52,248	49,109
COMMON EXPENSES			
Condominium expenses	1,750	1,747	1,772
Electrical and lighting	650	1,051	-
Fire hydrant maintenance	250	147	-
Hydro	750	623	666
Insurance	10,950	11,067	10,034
Landscaping and snow removal	21,000	19,322	19,955
Legal and audit	2,280	2,615	1,758
Management fees	7,460	7,458	8,080
Repairs and maintenance	4,500	618	4,230
Roof repairs	2,000	-	5,831
Window maintenance and repairs	1,000	-	113
	52,590	44,648	52,439
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, for the year	<u>\$ 40</u>	7,600	(3,330)
FUND BALANCE, beginning of year		<u>5,532</u>	8,862
FUND BALANCE, end of year		\$ 13,132	\$ 5,532

See accompanying notes on pages 7 to 9.

YORK REGION CONDOMINIUM CORPORATION NO. 848

STATEMENT OF RESERVE FUND

For the Year Ended October 31	2019	2018
REVENUE		
Owners' contribution to the reserve fund (note 3)	\$ 22,870	\$ 22,510
Special assessment (note 4)	45,000	20,000
Interest income	501	986
	68,371	43,496
MAJOR REPAIRS AND REPLACEMENTS		
Consulting - exterior decks	4,181	-
Door replacements	4,350	-
Deck repairs and replacements	96,446	-
Roofing repairs	5,759	1,009
Sanitary drain replacement	-	25,651
Step repairs and replacements	-	6,328
	110,736	32,988
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, for the year	(42,365)	10,508
BALANCE, beginning of year	66,595	56,087
BALANCE, end of year	\$ 24,230	\$ 66,595

See accompanying notes on pages 7 to 9.

YORK REGION CONDOMINIUM CORPORATION NO. 848

STATEMENT OF CASH FLOWS

For the Year Ended October 31	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Owners' contribution for:		
Operating fund	\$ 52,129	\$ 48,990
Reserve fund	22,870	22,510
Special assessment	45,000	20,000
Interest and other revenue	620	1,105
Common expenses	(44,648)	(52,439)
Major repairs and replacements	(110,736)	(32,988)
	<u>(34,765)</u>	<u>7,178</u>
Change in other non-cash operating accounts:		
Accounts receivable	-	703
Prepaid expenses	6,688	(554)
Accounts payable and accrued liabilities	(2,765)	4,350
	<u>3,923</u>	<u>4,499</u>
INCREASE (DECREASE) IN CASH, for the year	(30,842)	11,677
CASH, beginning of year	71,376	59,699
CASH, end of year	\$ 40,534	\$ 71,376
COMPRISED OF:		
Operating fund	\$ 6,941	\$ 3,772
Reserve fund	33,593	67,604
	<u>\$ 40,534</u>	<u>\$ 71,376</u>

See accompanying notes on pages 7 to 9.

YORK REGION CONDOMINIUM CORPORATION NO. 848

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2019

1. PURPOSE OF THE ORGANIZATION

York Region Condominium Corporation No. 848 (the "corporation") was registered without share capital under the laws of the Condominium Act of Ontario, the "Act". The corporation was formed to manage and maintain, on behalf of the owners, the common elements of a condominium containing 22 residential units, located in the City of Vaughan. For income tax purposes the corporation qualifies as a not-for-profit organization which is exempt from income tax under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

b) Common Elements

The common elements of the corporation are owned proportionately by the unit owners and consequently are not reflected as assets in these financial statements.

c) Fund Accounting

Reserve fund - Externally restricted

The corporation is required by the Condominium Act, 1998 to establish a reserve fund to be used solely for the purpose of major repair and replacement of common elements and assets of the condominium.

The corporation allocates to the reserve fund amounts that, calculated from expected repair and replacement costs and life expectancies of the common elements and assets of the corporation, are reasonably expected to provide sufficient funds to repair and replace the common elements and assets. Revenue and costs related to such major repairs and replacements are accounted for in the reserve fund.

Operating fund - Unrestricted

The revenue and expenses for the general operations of the corporation are reported in the statement of operating fund.

d) Financial Instruments

All assets and liabilities, with the exception of prepaid expenses, are financial instruments, and are initially recorded at fair market value and are subsequently recorded at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) **Revenue Recognition**

Owners' assessments are recognized as revenue based on the budget distributed to the owners each year. The corporation recognizes revenue at the first of each month when assessments are due and collection is reasonably assured. Interest and other revenue are recognized as revenue of the related fund when earned.

g) **Contributed Services**

Directors, committee members and owners volunteer their time to assist in the corporation's activities. These services materially benefit the corporation, however a reasonable estimate of the time spent and its fair market value cannot be made and accordingly, these contributed services are not recognized in the financial statements.

h) **Use of Estimates**

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

3. **RESERVE FUND**

The directors have used the Class 2 reserve fund study update of BEST Consultants Martin Gerskup Architect Inc. dated September 2017 and such other information as was available to them in evaluating the adequacy of annual contributions to the reserve fund for major repairs and maintenance. The study's plan for contribution to the reserve fund for 2019 was \$35,500 and the plan for expenditures from the reserve fund for 2019 was \$69,153. The reserve fund study projected a reserve fund balance on October 31, 2019 of \$10,000. The actual reserve fund balance on October 31, 2019 was \$24,230.

Any evaluation of the adequacy of the reserve fund is based upon assumptions as to the future interest and inflation rates and estimates of the life expectancy of the building components and their replacement costs. These factors are subject to change over time and the changes may be material; accordingly the Condominium Act requires that reserve fund studies be updated every three years.

4. **SPECIAL ASSESSMENT**

The board of directors approved a special assessment in the amount of \$45,000 for the 2019 fiscal year to help rebuild the reserve fund to fund major capital expenses.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2019

5. **BUDGET**

The 2019 budget amounts are presented for information purposes only. They were approved by the board of directors and are unaudited. They have been reclassified to conform to the financial statement presentation adopted for 2019.

6. **COMMITMENTS**

The corporation has contractual obligations for landscaping and snow removal and management services. These contracts contain short-term cancellation clauses.

7. **CONTINGENCIES**

The corporation is currently defending a claim for non compensation for stolen property and cost for repairs. The claim is being defended by the corporation's insurer. When settled any costs incurred will be charged to the operating fund in that fiscal year.

8. **FINANCIAL INSTRUMENTS - risk management**

Interest rate risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in fair value of future cash flow of financial instruments due to changes in market interest rates. The corporation is not exposed to this risk through as its funds are on deposit at a major Canadian financial institution.

Credit risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations. The corporation places its operating and reserve cash and investments with high quality institutions and believes its exposure is not significant. The corporation's credit risk from owners' assessments receivable is also not significant given the ability of the corporation to place a lien on a unit for outstanding fees and limited financial exposure in a multi-unit condominium.

Liquidity risk

Liquidity risk is the risk that the corporation will not be able to meet its obligations as they become due. The corporation manages this risk by establishing budgets and funding plans and by levying sufficient owners' assessments to fund its operating expenses and the necessary contributions to the reserve and other funds. Cash is held in an interest bearing account which provides a rate of return as well as liquidity.