

YORK CONDOMINIUM CORPORATION NO. 523

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2020

YORK CONDOMINIUM CORPORATION NO. 523

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INDEPENDENT AUDITOR'S REPORT

**To the Owners of
York Condominium Corporation No. 523:**

Opinion

We have audited the financial statements of York Condominium Corporation No. 523 (the Corporation), which comprise the statement of financial position as at July 31, 2020, and the statements of operations and changes in fund balances of the reserve and operating funds, the statement of cash flows, the schedule of expenses, 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 Corporation as at July 31, 2020, and its results of 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.

Other Matters

Not following the Notice of Future Funding of The Reserve Fund

As required by Section 67(5) of the Condominium Act of Ontario we report that the Corporation has conducted a reserve fund study and issued a Notice of Future Funding of The Reserve Fund, dated May 2019, indicating that the allocations to the reserve fund for the next fiscal year should be \$252,329. However, the budgeted reserve fund allocations for the next fiscal year, ending July 31, 2021 is \$218,467, which is \$33,862 less than the amount contained in the approved plan. This is not in accordance with the requirements of Section 94(8) of the Act and Regulation 48/01, Section 33 related thereto.

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

Management is 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 the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Those charged with governance are responsible for overseeing the Corporation'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 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.

Toronto, Ontario
January 6, 2021

Polyzotis & Co. LLP

Chartered Professional Accountants
Licensed Public Accountants

YORK CONDOMINIUM CORPORATION NO. 523

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2020

	2020	2019 (Restated - note 8)
ASSETS		
Current		
Cash (note 3)	\$ 72,895	\$ 48,030
Owners' assessments receivable	3,396	1,752
Prepaid expenses	<u>276</u>	<u>276</u>
	76,567	50,058
Reserve		
Cash (note 3)	<u>77,446</u>	<u>175,969</u>
	<u>\$ 154,013</u>	<u>\$ 226,027</u>

LIABILITIES AND FUND BALANCES

Current		
Operating trade payables	\$ 36,867	\$ 17,044
Reserve		
Reserve trade payables	<u>1,356</u>	<u>39,720</u>
	<u>38,223</u>	<u>56,764</u>
Fund balances		
Reserve fund (note)	76,090	136,249
Operating fund	<u>39,700</u>	<u>33,014</u>
	<u>115,790</u>	<u>169,263</u>
	<u>\$ 154,013</u>	<u>\$ 226,027</u>

On behalf of the Board:

 Director  Director

YORK CONDOMINIUM CORPORATION NO. 523

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
RESERVE FUND

FOR THE YEAR ENDED JULY 31, 2020

	2020	2019 (Restated - note 8)
REVENUE		
Allocations from operating fund	\$ 218,467	\$ 189,149
Interest earned	<u>3,167</u>	<u>1,616</u>
	<u>221,634</u>	<u>190,765</u>
EXPENSES		
Deck repairs and replacement	148,660	-
Roof repairs	17,963	-
Landscaping and exterior repairs and replacement	7,119	-
Plumbing repairs	5,594	-
Electrical repairs	3,947	-
Structural repairs (retaining wall and walkway)	98,510	43,572
Fence repairs	-	20,000
Reserve Fund Study	<u>-</u>	<u>2,543</u>
	<u>281,793</u>	<u>66,115</u>
EXCESS OF (EXPENSES OVER REVENUE)		
REVENUE OVER EXPENSES	(60,159)	124,650
FUND BALANCE, beginning of year	<u>136,249</u>	<u>11,599</u>
FUND BALANCE, end of year	<u>\$ 76,090</u>	<u>\$ 136,249</u>

YORK CONDOMINIUM CORPORATION NO. 523

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
OPERATING FUND

FOR THE YEAR ENDED JULY 31, 2020

	2020 Budget (note 4)	2020 Actual	2019 Actual
REVENUE			
Owners' assessments	\$ 374,258	\$ 374,262	\$ 374,262
Interest and sundry income	<u>-</u>	<u>992</u>	<u>1,014</u>
	374,258	375,254	375,276
Less: Allocations to reserve fund	<u>218,467</u>	<u>218,467</u>	<u>189,149</u>
	<u>155,791</u>	<u>156,787</u>	<u>186,127</u>
EXPENSES			
Cable TV	-	503	22,711
Electrical repairs	1,500	-	-
General repairs	6,000	9,675	4,603
Hydro	1,400	767	740
Insurance	17,000	15,365	12,711
Landscaping and snow removal	43,000	39,084	34,188
Management fees	24,722	24,722	23,104
Office and general	4,069	2,270	3,796
Professional fees	3,100	2,995	2,995
Water	<u>55,000</u>	<u>54,720</u>	<u>49,537</u>
	<u>155,791</u>	<u>150,101</u>	<u>154,385</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	6,686	31,742
FUND BALANCE, beginning of year		<u>33,014</u>	<u>1,272</u>
FUND BALANCE, end of year		<u>\$ 39,700</u>	<u>\$ 33,014</u>

YORK CONDOMINIUM CORPORATION NO. 523

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2020

	2020	2019 (Restated - note 8)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses		
Reserve fund	\$ (60,159)	\$ 124,650
Operating fund	<u>6,686</u>	<u>31,742</u>
	<u>(53,473)</u>	<u>156,392</u>
Changes in working capital:		
Owners' assessments receivable	(1,644)	(260)
Operating and reserve prepaid expenses	-	20,092
Operating and reserve trade payables	<u>(18,541)</u>	<u>3,971</u>
	<u>(20,185)</u>	<u>23,803</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR	(73,658)	180,195
CASH, beginning of year	<u>223,999</u>	<u>43,804</u>
CASH, end of year	<u>\$ 150,341</u>	<u>\$ 223,999</u>
Cash is comprised of:		
Operating fund cash	\$ 72,895	\$ 48,030
Reserve fund cash	<u>77,446</u>	<u>175,969</u>
	<u>\$ 150,341</u>	<u>\$ 223,999</u>

YORK CONDOMINIUM CORPORATION NO. 523

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2020

1. NATURE OF OPERATIONS

York Condominium Corporation No. 523 (the Corporation) was registered without share capital on July 31, 1980 under the provisions of the Condominium Act of Ontario. The Corporation was formed to manage and maintain, on behalf of the unit owners, the common elements of a condominium containing 46 residential units commonly known as Dutch Myrtleway, located in Toronto, Ontario. The Corporation qualifies as a non-profit organization which is exempt from income taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

b) Fund accounting

Reserve fund - externally restricted

The Corporation is required by The Condominium Act of Ontario 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

Revenue and expenses for the general operations of the Corporation are reported in the Statement of Operations and Changes in Fund Balances - Operating Fund.

c) 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.

d) 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 sundry income are recognized as revenue of the related fund when earned.

e) 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.

f) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Corporation's management and Directors make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingency assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates mainly include any required allowance for doubtful receivable accounts, and year end accruals. Actual results could differ from these estimates. These estimates and assumptions are reviewed periodically and adjustments are reported in the year in which they become known.

g) Contributed services

Directors, committee members and owners volunteer their time to assist in the Corporation's activities. While these services benefit the Corporation considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

3. CASH

Cash is interest bearing at prime minus 2.00% per annum. The interest rate as at July 31, 2020 was 0.45% per annum.

4. BUDGET FIGURES

The budget figures are unaudited and have been taken from the budget figures prepared by management and approved by the Directors.

5. COMMITMENTS

The Corporation, in the normal course of operations, enters into a number of contracts for services all of which contain short-term cancellation clauses. Under the terms of these contracts the Corporation is committed to spend approximately \$66,000 in the next fiscal year.

6. RESERVE FUND

The most recent reserve fund study was a study that falls into one of the categories as prescribed by the Condominium Act of Ontario and its regulations. The study was prepared by Enerplan Building Consultants in May 2019. The recommendations of this study have been adopted by the Directors of the Corporation.

The recommendations of the study and the actual and budgeted amounts are as follows:

	Reserve Fund Study	2020 Actual	2021 Budget
Reserve fund balance as at July 31, 2020	\$ 128,095	\$ 76,090	
Reserve fund expenses for the year ended July 31, 2020	\$ 258,036	\$ 281,793	
Contribution to reserve fund for the year ended July 31, 2021	\$ 252,329		\$ 218,467

The reserve is evaluated on the basis of expected repair and replacement costs and life expectancy of the common elements and assets of the Corporation. Such evaluation is based on numerous assumptions as to the future events.

7. RELATED PARTY TRANSACTIONS

During the year, the Directors did not receive any remuneration, and had no financial interest in any transactions of Corporation.

8. RESTATEMENT OF PRIOR YEAR

During the year, it was discovered that a reserve fund invoice related to the prior fiscal year was not accrued. As a result, the prior year's comparatives have been restated to reflect the missing accrual from the prior year. The total amount of the prior year expense was as follows:

Reserve fund expenses: \$5,368 (retaining wall/walkway replacement)

As a result of the prior year restatement, the following amounts were impacted:

	2019 As previously reported	2019 As restated
Reserve fund:		
Reserve fund accounts payable	\$ 34,352	\$ 39,720
Reserve fund balance	\$ 141,617	\$ 136,249
Reserve fund excess of revenue over expenses	\$ 130,018	\$ 124,650

9. FINANCIAL INSTRUMENTS

a) 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 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. There are no changes in risk exposures from the previous year.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligation 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 fund. Cash is held in an interest bearing account which provides a rate of return as well as liquidity. There are no changes in risk exposures from the previous year.