YORK REGION CONDOMINIUM CORPORATION NO. 741

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2019

ORVITZ, BARNARTT & DIAMOND CPA
Professional Corporation

ORVITZ, BARNARTT & DIAMOND CPA

PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

To York Region Condominium Corporation No. 741
On Behalf of the Owners

Opinion

We have audited the financial statements of **York Region Condominium Corporation No. 741** which comprise the statement of financial position as at **July 31, 2019**, and the statements of reserve fund operations and fund balance, general fund operations and fund balance, cash flows and schedule of expenses 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. 741** as at **July 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 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.

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

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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 misstatements 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 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.

Richmond Hill, Canada
December 19, 2019

Orvitz, Barnartt & Diamond

Orvitz, Barnartt & Diamond CPA, Professional Corporation, Authorized to Practise Public Accounting by The Chartered Professional Accountants of Ontario

YORK REGION CONDOMINIUM CORPORATION NO. 741

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2019

	General Fund	Reserve Fund	Total 2019	Total 2018
Assets				
Cash	$ 246,730	$ 569,057	$ 815,787	$ 1,484,561
Investments (note 4)	-	1,716,430	1,716,430	725,206
Accounts receivable	8,894	-	8,894	3,473
Interest receivable	-	85,858	85,858	64,911
Prepaid expenses	2,563	-	2,563	7,564
Due from shared facilities (note 9)	23,660	-	23,660	23,685
Interfund balance	(53,599)	53,599	-	-
	$ 228,248	$ 2,424,944	$ 2,653,192	$ 2,309,400
Liabilities and Fund Balances				
Accounts payable and accruals	$ 98,141	$ 17,903	$ 116,044	$ 161,875
Fund Balances	130,107	2,407,041	2,537,148	2,147,525
	$ 228,248	$ 2,424,944	$ 2,653,192	$ 2,309,400

APPROVED ON BEHALF OF THE BOARD

Director

Director

See accompanying notes

Statement 1

ORVITZ, BARNARTT & DIAMOND CPA
Professional Corporation

YORK REGION CONDOMINIUM CORPORATION NO. 741

STATEMENT OF RESERVE FUND OPERATIONS AND FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2019

	2019	2018
Revenue		
Owners' transfers to the reserve fund (note 3)	$ 643,182	$ 593,458
Interest income	52,763	39,804
	695,945	633,262
Major Repairs and Replacements		
Balcony and exterior	20,679	9,543
Doors and windows	6,719	23,890
Electrical	2,938	-
Fire and life safety	26,426	2,787
Garage	14,687	2,172
Grounds	3,277	7,232
Heating, ventilation and air conditioning	4,619	26,992
Interior	69,835	6,995
Plumbing	8,699	3,396
Professional fees	-	12,311
Roof	219,135	256,143
Waste removal	1,682	11,484
	378,696	362,945
Excess of revenue over expenses for the year	317,249	270,317
Fund balance, beginning of the year	2,089,792	1,819,475
Fund balance, end of the year	$ 2,407,041	$ 2,089,792

See accompanying notes

YORK REGION CONDOMINIUM CORPORATION NO. 741

STATEMENT OF GENERAL FUND OPERATIONS AND FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2019

	Budget (Note 8)	Actual 2019	Actual 2018
Revenue			
Owners' assessments	$ 1,731,177	$ 1,731,185	$ 1,681,756
Less: transfers to the reserve fund (note 3)	(643,182)	(643,182)	(593,458)
Owners' assessments to the general fund	1,087,995	1,088,003	1,088,298
Interest and other income	2,304	4,219	1,927
Cable	81,708	81,711	81,701
	1,172,007	1,173,933	1,171,926
Common Expenses			
Contracts (schedule)	253,637	252,552	226,576
General and administration (schedule)	73,391	103,063	134,745
Repairs and maintenance (schedule)	40,928	72,407	48,100
Shared costs (note 9)	351,360	328,556	313,695
Utilities (schedule)	375,200	290,770	314,392
Wages and benefits	54,362	54,211	68,539
	1,148,878	1,101,559	1,106,047
Excess of revenue over expenses for the year	$ 23,129	72,374	65,879
Fund balance (deficit), beginning of the year		57,733	(8,146)
Fund balance, end of the year		$ 130,107	$ 57,733

See accompanying notes

YORK REGION CONDOMINIUM CORPORATION NO. 741

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2019

	2019	2018
Cash Flows From Operating Activities		
Owners' assessments for:		
General operations	$ 1,088,003	$ 1,088,298
Reserve fund	643,182	593,458
Other receipts	138,693	123,432
Common expenses	(1,101,559)	(1,106,047)
Major repairs and replacements	(378,696)	(362,945)
	389,623	336,196
Changes in non cash operating accounts		
Accounts receivable	(5,421)	5,402
Interest receivable	(20,947)	(12,859)
Prepaid expenses	5,000	(1,548)
Accounts payable and accruals	(45,830)	(225,710)
Due to/from shared facilities	25	(7,016)
	322,450	94,465
Cash Flows From Investing Activities		
Purchase of investments	(991,224)	(216,110)
Decrease in cash during the year	(668,774)	(121,645)
Cash, beginning of the year	1,484,561	1,606,206
Cash, end of the year	$ 815,787	$ 1,484,561
Comprised of		
General fund	$ 246,730	$ 115,649
Reserve fund	569,057	1,368,912
	$ 815,787	$ 1,484,561

See accompanying notes

YORK REGION CONDOMINIUM CORPORATION NO. 741

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JULY 31, 2019

	Budget (Note 8)	Actual 2019	Actual 2018
Contracts			
Cable	$ 81,384	$ 81,377	$ 81,387
Cleaning	44,827	48,489	26,552
Elevators	10,552	10,575	10,347
Fire and life safety	7,561	8,759	8,876
Heating, Ventilation and Air Conditioning	42,385	44,036	40,421
Management	60,428	58,836	58,089
Window cleaning	6,500	480	904
	$ 253,637	$ 252,552	$ 226,576
General and Administration			
Audit fees	$ 4,020	$ 3,560	$ 4,020
Legal fees	15,500	44,053	78,438
Insurance	36,675	36,405	34,722
Office	17,196	19,045	17,565
	$ 73,391	$ 103,063	$ 134,745
Repairs and Maintenance			
Garage	$ 5,800	$ 5,853	$ 5,492
General	24,612	52,711	31,831
Plumbing	5,500	9,029	6,720
Security	420	-	-
Waste removal	4,596	4,814	4,057
	$ 40,928	$ 72,407	$ 48,100
Utilities			
Gas	$ 97,000	$ 74,296	$ 82,147
Hydro (net of recoveries)	146,600	107,425	111,215
Water (shared recovery)	131,600	109,049	121,030
	$ 375,200	$ 290,770	$ 314,392

See accompanying notes

PURPOSE OF THE ORGANIZATION

York Region Condominium Corporation No. 741 (the "Corporation") was registered without share capital on July 25, 1990 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 the 174 residential units, commonly known as The Dynasty - Phase I, located at 30 Harding Boulevard, in the Town of Richmond Hill. For Canadian income tax purposes the Corporation qualifies as a not-for-profit organization, which is exempt from income tax under the Income Tax Act.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

Common Elements

The common elements of the Corporation are owned proportionately by the unit owners and consequently are not recognized in these financial statements.

Fund Accounting

General Fund - *Unrestricted*

The general fund reports the assessments from owners and expenses related to the operations and administration of the common elements.

Reserve Fund - *Externally Restricted*

The Corporation is required by the Condominium Act of Ontario to transfer to a reserve fund for major repairs and replacements, amounts that, calculated from expected repair and replacement costs and life expectancies of the common elements of the Corporation, are reasonably expected to provide sufficient funds to repair and replace the common elements. The reserve fund reports the transfers from owners' assessments and expenditures for major repair and replacement costs of the common elements and assets. The basis for determining the reserve fund's requirements is explained in Note 3. Only major repairs and replacements of the common elements are charged directly to this reserve fund with the exception of the cost of the reserve fund study which may be charged to the reserve fund. Minor repairs and replacements are charged to the general fund. The Corporation segregates amounts accumulated for the purpose of financing future charges to the reserve fund in separate accounts, for use only to finance such charges. Interest earned on these amounts is credited directly to the reserve fund.

Financial Instruments

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Corporation's management and directors 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 amount of revenue and expenses during the year. These estimates and assumptions are reviewed periodically and adjustments are reported in the year in which they become known.

Accrual Basis of Accounting

Revenue and expenses are recorded on the accrual basis, whereby, they are reflected in the accounts in the year in which they have been earned or incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

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

Restricted assessments, consisting of amounts received for the reserve fund and unrestricted assessments, which are amounts received for the general fund are recognized as revenue in the period they are assessed if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the related fund when earned.

2) RESERVE FUND CASH

The reserve fund cash is maintained in an interest bearing account at Bank of Nova Scotia and Royal Bank of Canada, a brokerage account with BMO Nesbitt Burns and a BMO high interest savings account.

3) RESERVE FUND

The Corporation, as required by the Condominium Act, 1998, has established a reserve fund for financing future major repairs and replacements of the common elements and assets.

The directors have used the Class 2 reserve fund study update of Stephenson Engineering Limited, dated June 27, 2018 and such other information as was available to them in evaluating the adequacy of annual contributions to the reserve fund for major repairs and replacements. The Corporation's plan for transfer to the reserve fund for 2018 - 2019 was $643,182 based on the study, and the actual amount was the same. The study projected reserve fund expenditures of $724,200 during the year, while the actual amount incurred was $378,696. A reserve fund balance of $2,024,931 on July 31, 2019 was projected by the study, while the actual amount was $2,407,041.

3) RESERVE FUND (continued)

Expected transfers and expenditures during the next two fiscal years based on the reserve fund study are:

	Transfers	Expenditures
2019 - 2020	$697,071	$604,993
2020 - 2021	755,476	612,777

Any evaluation of the adequacy of the reserve fund is based upon assumptions as to 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, 1998 requires reserve fund studies to be updated every three years.

The directors' evaluation is that the current reserve fund balance together with contributions proposed in the reserve fund study can reasonably be expected to provide sufficient funds for its intended use.

4) INVESTMENTS

Investments are comprised of the following:

Type	Issuer	Maturity Date	Rate	Amount
GIC	Bank of Montreal	October 10, 2019	2.26%	$ 100,000
GIC	BMO Trust Company	October 10, 2019	2.26%	100,000
GIC	Laurentian Bank	November 18, 2019	2.21%	100,000
GIC	B2B Bank	November 26, 2019	2.70%	97,500
GIC	LBC Trust	November 26, 2019	2.70%	97,500
GIC	Equitable Bank	November 28, 2019	2.21%	39,899
GIC	Bank of Montreal Mortgage Corporation	November 26, 2020	2.96%	97,000
GIC	Bank of Nova Scotia	November 26, 2020	2.95%	97,000
GIC	Concentra Bank	November 26, 2020	3.10%	97,000
GIC	Manulife Bank of Canada	November 26, 2020	3.00%	97,000
GIC	Montreal Trust Company of Canada	November 26, 2020	2.95%	97,000
GIC	Natcan Trust	November 26, 2020	2.85%	97,000
GIC	National Bank of Canada	November 26, 2020	2.85%	97,000
GIC	Scotia Mortgage Corporation	November 26, 2020	2.95%	97,000
GIC	Canadian Western Bank	November 30, 2020	2.45%	100,000
GIC	Home Trust Company	December 20, 2021	3.26%	96,500
Bond	Province of Ontario	June 2, 2023	3.47%	64,999
Bond	Province of Ontario	July 13, 2023	3.56%	144,032
				$1,716,430

5) FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Interest Rate Risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in the fair value of future cash flow of financial instruments due to changes in market interest rates. The Corporation is exposed to this risk through its interest bearing investments. The Corporation manages this risk through investing in fixed rate securities of short to medium term maturity and plans to hold the securities to maturity.

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. Cash is held in an interest bearing account which provides a rate of return as well as liquidity.

6) CONTRACTUAL COMMITMENTS

Bulk Cable

The Corporation has entered into a contract with **Rogers Cable Communications Inc.** for the provision of bulk cable services. The contract is for five years and expires on **July 31, 2024**. Payments under the contract are **$70,783** per annum, inclusive of taxes for the term of the contract.

Cleaning

The Corporation has entered into a contract with **Clean Tag Maintenance** for the provision of cleaning services. The contract is for three years and expires on **November 30, 2020**. Current payments under the contract are **$45,266** per annum, inclusive of taxes, subject to an annual increase of 3%.

Elevators

The Corporation has entered into a contract with **True Canadian Elevator Maintenance Company Ltd**. for the provision of elevator maintenance services. The contract is for five years and expires on **October 31, 2019**. Current payments under the contract are **$10,396** per annum, inclusive of taxes.

Preventative Maintenance

The Corporation has entered into a contract with **Complete Energy Solutions Ltd.** for the provision of preventative maintenance services. The contract is for five years and expires on **December 31, 2022**. Payments under the contract are **$28,137** per annum, inclusive of taxes.

6) CONTRACTUAL COMMITMENTS (continued)

Natural Gas Contract

The Corporation has entered into a contract with **Active Energy Inc.** for the provision of natural gas at a rate of **12.1** cent per cubic meter. The contract is for five years and expires on **October 31, 2022**.

7) RELATED PARTY TRANSACTIONS

No remuneration was paid to directors and officers during the year and they had no interest in any transactions of the Corporation. Management, in addition to fees, is reimbursed for certain administrative costs and collects fees from owners, purchasers and others for lien notices and status certificates. These transactions were in the normal course of operations and were measured at the exchange amount.

8) BUDGET INFORMATION

The budget figures presented for comparison purposes are prepared without audit or review and are those approved by the directors. They have been reclassified to conform with the financial statement presentation. These figures are presented for information purposes only and are not covered by the opinion of Orvitz, Barnartt & Diamond CPA dated December 19, 2019.

9) SHARED FACILITIES

The Corporation entered into a reciprocal agreement with York Region Condominium Corporation No. 741 and York Region Condominium Corporation No. 755 for the purpose of providing for the mutual use, maintenance, repair, replacement and cost sharing of certain of the jointly owned common elements known as The Dynasty Recreation Centre ("the Centre").

Under this agreement, costs related to the shared facilities are allocated as follows:

York Region Condominium Corporation No. 741	32.10%
York Region Condominium Corporation No. 755	34.32%
York Region Condominium Corporation No. 765	33.58%
	100.00%

The Centre has established its own reserve fund for the major repair and replacement of the common elements of the shared facilities. Contributions to this fund are paid as part of the monthly shared facilities assessment.

10) CONTINGENT LIABILITY

In common with the condominium industry, the Corporation is periodically named in "slip and fall" claims arising from use of the common areas of the Corporation. Such claims are handled by the Corporation's insurance provider and are generally covered by the insurance contract, subject to the deductible limit. The Corporation has one claim outstanding that is being defended by its insurance provider. At this time, the extent of liability, if any, has not been determined and no amounts have been accrued in the financial statements.