TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2021

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

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INDEPENDENT AUDITOR'S REPORT

To the Owners of
Toronto Standard Condominium Corporation No. 2322

Opinion

We have audited the accompanying financial statements of Toronto Standard Condominium Corporation No. 2322 which comprise the statement of financial position as at July 31, 2021, and the statements of revenue and expenses, operating fund, capital asset fund, reserve fund for major repairs and replacements 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 Toronto Standard Condominium Corporation No. 2322 as at July 31, 2021 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.

Condominium Act of Ontario

As at July 31, 2021, the reserve fund for major repairs and replacements was underfunded by $256,706. This occurred as a result of the corporation using reserve fund monies to fund the operating deficit at July 31, 2021. This use of reserve fund monies is in contravention of the Condominium Act of Ontario.

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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INDEPENDENT AUDITOR'S REPORT (continued)

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 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.

December 16, 2021

Richmond Hill, Ontario

YalePGC, LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2021

	2021	2020
ASSETS		
OPERATING		
Cash	$ 72,747	$ 433,903
Accounts receivable		
Unit owners	21,971	52,007
Allowance for doubtful accounts	(13,976)	(19,748)
Other	35,581	17,028
Prepaid expenses	24,859	23,255
	141,182	506,445
RESERVE		
Cash	199,277	585,380
Investments	6,452,051	5,100,000
Interest receivable	35,611	31,857
	6,686,939	5,717,237
CAPITAL ASSET (note 5)	123,481	148,596
	$ 6,951,602	**$ 6,372,278**

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2021

	2021	2020
LIABILITIES		
OPERATING		
Accounts payable and accrued liabilities	$ 544,431	$ 726,736
Capital lease obligation - current (note 6)	25,636	21,262
Capital lease obligation - long term (note 6)	118,057	146,458
H.S.T. payable	2,129	808
	690,253	895,264
RESERVE		
Accounts payable and accrued liabilities	-	16,134
	690,253	911,398
FUND BALANCES		
OPERATING FUND (DEFICIT)	(662,084)	(236,053)
CAPITAL ASSET FUND	(20,212)	(19,124)
RESERVE FUND FOR MAJOR REPAIRS AND REPLACEMENTS	6,943,645	5,716,057
	6,261,349	5,460,880
	$ 6,951,602	**$ 6,372,278**

APPROVED ON BEHALF OF THE BOARD:

Director

Director

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED JULY 31, 2021

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
REVENUE			
Common element assessments	$ 6,627,381	$ 6,627,436	$ 6,434,176
Less: Budgeted transfer to reserve fund for major repairs and replacements	(1,893,805)	(1,893,805)	(1,845,814)
Budgeted transfer to capital asset fund	(34,224)	(34,224)	(34,224)
	4,699,352	4,699,407	4,554,138
Interest and other income	147,726	72,826	124,600
	4,847,078	4,772,233	4,678,738
EXPENSES - see Schedule			
Service and maintenance contracts	2,151,131	2,253,512	2,121,379
Repairs and maintenance	570,844	565,878	585,125
Utilities	1,550,300	1,564,003	1,482,804
Administration	574,803	738,897	584,603
Special projects (note 7)	-	75,974	264,030
	4,847,078	5,198,264	5,037,941
(DEFICIENCY) OF REVENUE OVER EXPENSES	**$ -**	**$ (426,031)**	**$ (359,203)**

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JULY 31, 2021

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
SERVICE AND MAINTENANCE CONTRACTS			
Air conditioning and heating	$ 79,548	$ 89,389	$ 61,328
Carpet cleaning	15,000	9,644	17,961
Cleaning	589,418	673,662	586,374
Elevator	90,006	88,699	89,799
Fire equipment and monitoring	40,632	69,190	45,617
Landscaping and snow removal	55,071	53,929	58,773
Management fees	424,908	424,903	418,665
Pest control	4,776	4,507	6,721
Recreational	10,500	11,060	9,887
Security	802,776	801,426	790,458
Window cleaning	38,496	27,103	35,796
	2,151,131	2,253,512	2,121,379
REPAIRS AND MAINTENANCE			
Air conditioning and heating	25,000	20,526	31,533
Cleaning supplies	13,032	13,861	12,841
Electrical	23,040	17,206	8,119
Elevator	2,080	6,076	4,087
Fire and emergency equipment	35,788	19,433	26,726
Garage	40,800	43,358	21,991
General building	208,704	255,444	263,203
Landscaping	14,000	9,547	2,415
Plumbing	65,000	71,628	99,147
Recreational	23,400	9,164	20,220
Waste removal	120,000	99,635	94,843
	570,844	565,878	585,125
UTILITIES			
Gas	343,300	352,157	309,440
Hydro	600,000	608,286	586,383
Water	607,000	603,560	586,981
	$ 1,550,300	$ 1,564,003	$ 1,482,804

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JULY 31, 2021

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
ADMINISTRATION			
Amounts under recovery	$ -	$ (5,772)	$ 3,353
Audit fees	20,000	10,170	9,122
Consulting	3,000	8,799	8,498
General office	69,552	71,883	61,751
Insurance	420,299	420,299	344,420
Legal fees	50,000	212,985	145,405
Telephone and communications	11,952	20,533	12,054
	$ 574,803	$ 738,897	$ 584,603

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF OPERATING FUND

FOR THE YEAR ENDED JULY 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	$ (236,053)	$ 123,150
(DEFICIENCY) OF REVENUE OVER EXPENSES	(426,031)	(359,203)
BALANCE, END OF YEAR	**$ (662,084)**	**$ (236,053)**

STATEMENT OF CAPITAL ASSET FUND

FOR THE YEAR ENDED JULY 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	$ (19,124)	$ (16,527)
BUDGETED TRANSFER FROM OPERATING FUND	34,224	34,224
INTEREST EXPENSE	(10,197)	(11,706)
AMORTIZATION	(25,115)	(25,115)
BALANCE, END OF YEAR	**$ (20,212)**	**$ (19,124)**

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF RESERVE FUND FOR MAJOR REPAIRS AND REPLACEMENTS

FOR THE YEAR ENDED JULY 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	$ 5,716,057	$ 4,138,220
BUDGETED TRANSFER FROM OPERATING FUND	1,893,805	1,845,814
INTEREST EARNED	93,528	93,215
	7,703,390	6,077,249
CHARGES TO THE FUND		
Caulking and cladding repairs	185,399	227,017
Compactor and mechanical room waterproofing	156,675	-
Recreation centre repairs	73,026	-
Balcony repairs	62,662	-
Plumbing repairs and replacements	59,015	12,515
Garage repairs and replacements	45,402	9,624
Security system repairs and replacements	39,985	-
HVAC repairs	38,769	20,658
Fire safety repairs	25,598	10,371
Water leak repairs	21,782	-
Window and door repairs	16,142	-
Pool repairs	10,783	-
Electrical repairs	9,401	-
Boiler and chiller repairs	7,059	-
Reserve fund study and consulting fees on reserve fund projects	6,441	33,352
Chute repairs	1,606	-
Elevator modernization	-	26,000
Replacement of steam unit	-	10,130
Change room repairs and replacements	-	6,667
Replacement of elliptical	-	4,858
	759,745	361,192
BALANCE, END OF YEAR	**$ 6,943,645**	**$ 5,716,057**

See accompanying notes.

TORONTO STANDARD CONDOMINIUM CORPORATION NO. 2322

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING AND RESERVE ACTIVITIES		
(Deficiency) of revenue over expenses	$ (426,031)	$ (359,203)
Net change in non-cash working capital		
Accounts receivable	1,957	(20,635)
Prepaid expenses	(1,604)	16,725
H.S.T. payable	1,321	(3,103)
Accounts payable and accrued liabilities	(198,439)	59,470
Cash flows (used in) operating and reserve activities	(622,796)	(306,746)
CASH FLOWS FROM RESERVE AND CAPITAL ASSET FUND ACTIVITIES		
Budgeted transfer from operating fund	1,893,805	1,845,814
Interest earned on reserve funds	93,528	93,215
Charges to reserve fund	(759,745)	(361,192)
Amortization	25,115	25,115
Capital asset fund (net)	(1,088)	(2,597)
Cash flows provided by reserve and capital asset fund activities	1,251,615	1,600,355
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of investments	(1,352,051)	(2,000,000)
Capital lease obligation	(24,027)	(22,518)
Cash flows (used in) investing and financing activities	(1,376,078)	(2,022,518)
NET (DECREASE) IN CASH RESOURCES	(747,259)	(728,909)
CASH RESOURCES, BEGINNING OF YEAR	1,019,283	1,748,192
CASH RESOURCES, END OF YEAR	**$ 272,024**	**$ 1,019,283**
Represented by:		
Cash		
Operating fund	$ 72,747	$ 433,903
Reserve fund	199,277	585,380
	$ 272,024	**$ 1,019,283**

See accompanying notes.

NOTE 1 OPERATIONS

The corporation was incorporated on July 19, 2013 without share capital under the Condominium Act of Ontario and is a non-profit organization exempt from taxes under the Income Tax Act.

The purpose of the corporation is to manage and maintain the common elements (as defined in the corporation's Declaration and By-laws) and to provide common services for the benefit of the owners of the 1,195 units of the high-rise building located at 65, 75 & 85 East Liberty Street, Toronto, Ontario.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

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.

Operating fund

The operating fund reports all owners' assessments, budgeted allocations of those assessments to other funds and expenses related to the operating and maintenance of the common elements of the corporation.

Capital asset fund

The capital asset fund represents the corporation's invested equity in the tri-sorter equipment. The lease payments, interest related to this lease and current year amortization are accounted for in this fund.

Reserve fund for major repairs and replacements

The corporation, as required by the Condominium Act of Ontario, has established a reserve fund for financing major repairs and replacements of the common elements. Charges to the fund require approval by the Board of Directors. Only major repairs and replacements of the common elements are charged directly to this reserve.

Minor repairs and replacements are charged to repairs and maintenance in the general operations.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Owners' assessments are recognized as revenue monthly based on the budget distributed to the owners each year. Interest and other revenues are recognized as revenue of the related fund when earned.

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 reasonably be made and accordingly, these contributed services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management and directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of asset increases and decreases during the reporting period. Actual results could differ from those estimates.

NOTE 3 FINANCIAL INSTRUMENTS

The corporation's financial instruments primarily consist of cash, investments, receivables, accounts payable and accrued liabilities and capital lease obligation.

Interest rate risk

Interest rate risk is the risk of potential loss caused by fluctuations in 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 and lease obligation. The corporation manages this risk by investing in fixed-rate securities of short and medium term maturity and plans to hold the securities to maturity as well as entering into fixed-rate leases.

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.

NOTE 3 FINANCIAL INSTRUMENTS (continued)

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, debt payments and necessary contributions to the reserve and other funds.

NOTE 4 BUDGET FIGURES

The 2021 budget figures as presented are for information purposes only and are not covered by the audit report of Yale PGC, LLP dated December 16, 2021.

NOTE 5 CAPITAL ASSET

The capital asset of the corporation is the tri-sorter equipment at a cost of $251,148. Amortization of the equipment is based on a straight line basis over a period of 10 years.

	Cost	Accumulated Amortization	Net Book Value 2021	Net Book Value 2020
Tri-sorter equipment	**$ 251,148**	**$ 127,667**	**$ 123,481**	**$ 148,596**

NOTE 6 CAPITAL LEASE OBLIGATION

The corporation has entered into a lease agreement for tri-sorter equipment with an interest rate of 6.5% for 120 months beginning July 1, 2016 and expiring on June 1, 2026. Monthly payments of $2,852 (including H.S.T.) are required to be paid out of common element assessments.

The future lease payments are as follows:

Year ended July 31, 2022	$ 34,224
Year ended July 31, 2023	34,224
Year ended July 31, 2024	34,224
Year ended July 31, 2025	34,224
Year ended July 31, 2026	31,372
	168,268
Deferred interest component	(24,575)
	$ 143,693

NOTE 7 SPECIAL PROJECTS

During the year, the corporation charged $75,974 to special projects for the kitchen stack cleanouts installation, stack cleaning and security charges.

NOTE 8 RESERVE FUND STUDY

The Board of Directors of the corporation have used a comprehensive reserve fund study dated July 27, 2020, prepared by WSP Canada Inc. and such other information available to them in evaluating the adequacy of annual contributions to the reserve fund for major repairs and replacements. The corporation's plan for contribution to the reserve fund for 2021 was $1,893,805 and the plan for expenditures from the reserve fund for 2021 was $940,764. The study projected a reserve fund balance on July 31, 2021 of $6,717,954.

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 future events.

NOTE 9 LEGAL ACTIONS

The corporation has commenced a claim in the Ontario Superior Court of Justice against the former property management company, former contractors and other individuals. Amongst other relief, the corporation is seeking damages in the amount of $1,400,000, punitive, exemplary and/or aggravated damages in the amount of $500,000, a declaration that it had cause to terminate the former property management company contract and special damages including legal, accounting, investigative, expert and other fees and disbursements.

A counterclaim has been commenced against the corporation by the former property management company for $500,000 for termination of its management agreement, plus legal costs and interest in unspecified amounts. The corporation will be defending this claim. It is unknown whether the condominium will be required to pay any amount in regards to this action.

A counterclaim has been commenced against the corporation by a former contractor for $131,373 for failure to pay invoices or otherwise compensate the former contractor for work performed and supplies, plus punitive damages in the amount of $100,000, plus special damages, legal costs and interest in unspecified amounts. The corporation will be defending this claim. It is unknown whether the condominium will be required to pay any amount in regards to this action.

A statement of claim has been filed against the corporation for unpaid invoices. As of the date of this audit report, it is unknown whether the condominium will be required to pay any amount in regards to this action.

NOTE 10 CORONAVIRUS

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The related financial impact and duration of this disruption cannot be reasonably estimated at this time.

NOTE 11 COMMITMENT

The corporation has entered into an assumption assignment agreement with the Declarant and Toronto Hydro for the installation of individual unit "smart meters" at no cost. The term of the agreement is 20 years from October 2011 with a cancellation clause available to either party after a five year period so long as there is at least one year's notice. If the corporation terminates the agreement prior to the five year period, it must pay to Toronto Hydro all reasonable costs of disconnecting and removing the system and returning the building to a bulk meter system.

NOTE 12 FUNDING OF RESERVE FUND FOR MAJOR REPAIRS AND REPLACEMENTS

As at July 31, 2021, the reserve fund for major repairs and replacements was underfunded by $256,706. This occurred as a result of the corporation using reserve fund monies to fund the operating deficit at July 31, 2021. This use of reserve fund monies is in contravention of the Condominium Act of Ontario. Subsequent to the year end the amount has been fully transferred from the operating bank account to the reserve bank account.

NOTE 13 SPECIAL ASSESSMENT

Subsequent to year end, the Board of Directors has levied a special assessment in the amount of $1,200,000 of which $700,000 is for deficit recovery and the additional $500,000 is to establish a healthy cash balance. The total assessment of $1,200,000 is due in 2 payments on October 1, 2021 and February 1, 2022.

NOTE 14 LOAN PAYABLE

The corporation has secured a loan facility from CWB Maxium Financial Inc. in the amount of $564,000 towards the payment of operating expenses. The interest rate will be based on the prime rate in effect from time to time plus 3.05%. The loan is secured by a General Security Agreement.