

CONDOMINIUM CORPORATION NO. 022-2718
(Operating as Phillips Lofts)
Financial Statements
Year Ended July 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Owners of
Condominium Corporation No. 022-2718
(Operating as Phillips Lofts)

Report on the Financial Statements

We have audited the accompanying financial statements of Condominium Corporation No. 022-2718, operating as Phillips Lofts, which comprise the statement of financial position as at July 31, 2011, and the statements of operations, capital replacement reserve fund, capital improvement reserve fund and cash flows for the year then ended, 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 generally accepted accounting principles, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 disclosures 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Condominium Corporation No. 022-2718, operating as Phillips Lofts, as at July 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
January 8, 2012

Kouri Berezan Heinrichs
Chartered Accountants

CONDOMINIUM CORPORATION NO. 022-2718
(Operating as Phillips Lofts)
(Registered under the Condominium Property Act of Alberta)

Statement of Financial Position

July 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash <i>(Note 4)</i>	\$ 23,718	\$ 17,037
Accounts receivable <i>(Note 5)</i>	7,301	8,811
Intellimeter receivable	11,965	18,416
Prepaid expenses	6,279	5,690
	49,263	49,954
INVESTMENTS HELD FOR CAPITAL		
REPLACEMENT RESERVE FUND <i>(Note 6)</i>	361,395	321,456
INVESTMENTS HELD FOR CAPITAL IMPROVEMENT		
RESERVE FUND <i>(Note 7)</i>	54,093	73,355
	\$ 464,751	\$ 444,765
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 10,658	\$ 25,358
Utilities payable	8,412	10,989
Security deposits	9,050	9,050
	28,120	45,397
NET ASSETS		
Restricted for capital replacement reserve fund	361,395	321,456
Restricted for capital improvement reserve fund	54,093	73,355
Unrestricted	21,143	4,557
	436,631	399,368
	\$ 464,751	\$ 444,765

COMMITMENTS *(Note 8)*

SUBSEQUENT EVENTS *(Note 9)*

APPROVED BY THE BOARD

_____ Director

_____ Director

CONDOMINIUM CORPORATION NO. 022-2718*(Operating as Phillips Lofts)***Statement of Operations****Year Ended July 31, 2011**

	2011	2010
REVENUE		
Condominium contributions	\$ 272,575	\$ 236,550
Utility recoveries	21,790	22,497
Other income	2,258	3,624
	<u>296,623</u>	<u>262,671</u>
EXPENSES		
Utilities		
Power	32,769	36,031
Gas	20,897	21,001
Water, sewer and waste disposal	25,351	23,240
Telephone and communication	1,661	1,690
	<u>80,678</u>	<u>81,962</u>
Contracts		
Building maintenance contract	3,465	2,818
Cleaning contract	9,203	10,516
Elevator contract	8,024	7,786
Mechanical contract	6,930	6,930
Snow removal contract	1,750	1,750
	<u>29,372</u>	<u>29,800</u>
Maintenance		
Building exterior	7,075	8,358
Building interior	5,706	6,720
Cleaning maintenance	1,773	3,374
Elevator	2,814	6,051
Fire protection and security	3,956	5,449
Mechanical maintenance	13,353	16,086
	<u>34,677</u>	<u>46,038</u>
Administration		
Management fees	17,067	16,970
Insurance	13,516	13,601
Professional fees	10,690	15,895
Administration	2,721	4,480
	<u>43,994</u>	<u>50,946</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE TRANSFERS	107,902	53,925
Transfers	(91,316)	(78,430)
	<u>16,586</u>	<u>(24,505)</u>
NET ASSETS AT BEGINNING OF YEAR	4,557	29,062
NET ASSETS AT END OF YEAR	<u>\$ 21,143</u>	<u>\$ 4,557</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Statement of Capital Replacement Reserve Fund

Year Ended July 31, 2011

	2011	2010
REVENUE		
Investment income	\$ 5,775	\$ 5,218
Grant revenue	23,822	-
	<u>29,597</u>	<u>5,218</u>
EXPENSES		
Brick restoration	27,825	-
Cornice repair	8,400	-
Heating coils	2,314	-
Exterior repair	-	4,599
Interior painting	-	1,407
Intercom replacement	-	1,834
Roof repair	31,941	2,541
Window sill refinishing	4,200	-
	<u>74,680</u>	<u>10,381</u>
EXCESS OF REVENUE UNDER EXPENSES BEFORE TRANSFERS	(45,083)	(5,163)
Transfer from operations	<u>85,022</u>	<u>63,328</u>
	39,939	58,165
NET ASSETS AT BEGINNING OF YEAR	<u>321,456</u>	<u>263,291</u>
NET ASSETS AT END OF YEAR	<u>\$ 361,395</u>	<u>\$ 321,456</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Statement of Capital Improvement Reserve Fund

Year Ended July 31, 2011

	2011	2010
REVENUE		
Interest	\$ 443	\$ 93
EXPENSES		
Storage cages	-	3,103
Main elevator refurbishment	19,894	1,688
Corner guards	1,304	-
Eavestrough	-	1,235
In-suite mechanical upgrades	4,801	-
Artificial plants	-	2,730
	<u>25,999</u>	<u>8,756</u>
EXCESS OF REVENUE UNDER EXPENSES BEFORE TRANSFERS	(25,556)	(8,663)
Transfer from operations	<u>6,294</u>	<u>15,103</u>
	(19,262)	6,440
NET ASSETS AT BEGINNING OF YEAR	<u>73,355</u>	<u>66,915</u>
NET ASSETS AT END OF YEAR	<u>\$ 54,093</u>	<u>\$ 73,355</u>

CONDOMINIUM CORPORATION NO. 022-2718*(Operating as Phillips Lofts)***Statement of Cash Flows****Year Ended July 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Cash received from condominium fees - operations	\$ 270,744	\$ 236,413
Cash received from utility recoveries - operations	28,241	11,621
Cash received from other income - operations	2,258	3,624
Cash received from interest income - capital replacement reserve fund	5,775	5,218
Cash received from grant revenue - capital replacement reserve fund	23,822	-
Cash received from interest income - capital improvement reserve fund	443	93
Cash paid for expenditures - operations	(203,246)	(200,926)
Cash paid for expenditures - capital replacement reserve fund	(73,684)	(10,381)
Cash paid for expenditures - capital improvement reserve fund	(18,955)	(13,756)
Cash flow from operating activities	<u>35,398</u>	<u>31,906</u>
INVESTING ACTIVITIES		
Purchase of guaranteed investment certificates - capital replacement reserve fund	(110,670)	(62,774)
Proceeds from disposal of guaranteed investment certificates - capital replacement reserve fund	74,803	84,687
Purchase of mutual funds - capital replacement reserve fund	(5,068)	(95,567)
Proceeds from disposal of mutual funds - capital replacement reserve fund	-	15,489
Purchase of guaranteed investment certificates - capital improvement reserve fund	(10,442)	(12,094)
Proceeds from disposal of guaranteed investments certificates - capital improvement reserve fund	22,660	10,654
Cash flow used by investing activities	<u>(28,717)</u>	<u>(59,605)</u>
INCREASE (DECREASE) IN CASH FLOW	6,681	(27,699)
Cash - beginning of year	<u>17,037</u>	<u>44,736</u>
CASH - END OF YEAR	<u>\$ 23,718</u>	<u>\$ 17,037</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2011

1. PURPOSE OF ORGANIZATION

The condominium corporation operates to repair and maintain the common area assets and property of the condominium complex. It is registered under the Condominium Property Act of the Province of Alberta and is a not-for-profit organization exempt from tax under paragraph 149(1)(l) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise value of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of approximations which have been made using careful judgement. Actual results could differ from those approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Common area assets

Common area assets of the corporation are not reflected in these financial statements. Additions are charged to operations in the year of expenditure.

Investments held for capital replacement reserve fund

Investments held in TD mutual and HSBC mortgage funds for capital replacement reserve fund are classified as available for sale and are recorded at market value. Transactions costs are expensed when incurred.

Investments held for capital improvement reserve fund

Investments held for capital improvement reserve fund are stated at cost.

Capital assets

Capital assets are recorded as an expenditure in the year of acquisition.

Capital replacement reserve fund

The corporation maintains a capital replacement reserve fund to provide for the repair and replacement of the common property. All transfers to and expenditures from this fund are approved by the corporation's board.

Capital improvement reserve fund

The corporation introduced a capital improvement reserve fund to provide for improvements and beautification of the common property. This fund is internally restricted and set apart from the capital replacement reserve fund.

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CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Monthly condominium contributions are collectible on the first day of each month and are recognized as revenue on that day.

Special assessments are recognized as revenue when unit owners are assessed.

Utility recoveries are recognized as revenue when earned.

Investment income includes capital gains, dividends, interest income and realized gains and losses. Unrealized gains and losses, if any, on available for sale financial assets are charged or credited directly to net assets until the asset is sold at which point the realized gains and losses are included in income.

Contributed services and materials

The corporation records the fair market value of contributed goods and services only in the circumstances where the fair market value is reasonably determinable and where the goods and services would otherwise be purchased by the corporation.

3. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, accounts receivable, intellimeter receivable, investments held for capital replacement reserve fund, investments held for capital improvement reserve fund, accounts payable and accrued liabilities, utilities payable and security deposits. It is management's opinion that the corporation is not exposed to any significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts of these financial instruments approximate their fair values due to their short term maturities.

4. CASH

Included in cash is \$9,050 (2010 - \$9,050) restricted for security deposits.

5. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 7,301	\$ 5,470
Due from Legacy Loft Condominium	-	3,341
	<u>\$ 7,301</u>	<u>\$ 8,811</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2011

6. INVESTMENTS HELD FOR CAPITAL REPLACEMENT RESERVE FUND

	<u>2011</u>	<u>2010</u>
Guaranteed investment certificate	\$ 143,061	\$ 107,194
HSBC Mortgage fund	185,141	180,743
TD Mutual funds	34,189	33,519
Accounts payable and accrued liabilities	(996)	-
	<u>\$ 361,395</u>	<u>\$ 321,456</u>

The guaranteed investment certificate bears interest at 0.750% and matures on August 25, 2011.

7. INVESTMENTS HELD FOR CAPITAL IMPROVEMENT RESERVE FUND

	<u>2011</u>	<u>2010</u>
Guaranteed investment certificate	\$ 56,137	\$ 68,355
Prepaid deposit	-	5,000
Accounts payable and accrued liabilities	(2,044)	-
	<u>\$ 54,093</u>	<u>\$ 73,355</u>

The guaranteed investment certificate bears interest at 0.750% and matures on August 25, 2011.

8. COMMITMENTS

The corporation has engaged Fochaus Management Inc, to manage certain affairs of the condominium. The agreement requires monthly compensation of \$1,422 to the property manager. In addition to management fees, the corporation is charged for direct costs incurred by the property manager on behalf of the condominium.

In August 2009, the corporation entered into a preventative maintenance contract with T&P Mechanical Services Ltd. The corporation is committed to quarterly payments of \$1,733 to July 2012.

The corporation is also required to pay quarterly payments of \$2,022 for elevator maintenance services until December 31, 2011.

Under the terms of a contract, the corporation is committed to obtaining electricity from Enmax at \$0.06731 per kWh for the period from August 1, 2011 to July 31, 2012.

9. SUBSEQUENT EVENTS

Subsequent to the July 31, 2011, a special assessment was approved in the amount of \$150 per unit. This amount has been collected by the condominium corporation in prior years as utility deposits and will be transferred to the capital replacement reserve fund and reported as special assessment fees.

The corporation also renewed the elevator maintenance services contract for the period from January 1, 2012 to December 31, 2016. The corporation is required to pay quarterly payments of \$2,706. The contract has an automatic renewal term for another five year term.

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2011

10. CAPITAL MANAGEMENT

The corporation's objectives when managing capital is to safeguard its ability to continue as a going concern with sufficient capital to pay monthly operating costs as they come due as well as to fund major repairs from time to time.

The corporation's capital is comprised of its unrestricted net assets, its restricted capital replacement reserve fund and its restricted capital improvement reserve fund.

In managing its capital, the corporation has a reserve fund study performed by a qualified person every five years as required by the Condominium Property Act. This reserve fund study outlines the major repairs that may be required within the next 25 years and makes recommendations for funding these repairs. The corporation also prepares an annual budget of operating costs and repairs with expected funding sources. This budget is approved by the Board of Directors.

In order to maintain or adjust the capital structure, the corporation may increase monthly condominium contributions or assess owners special levies.
