

CONDOMINIUM CORPORATION 1122235

Financial Statements

Year Ended December 31, 2023



Independent Auditor's Report

To the Board of Condominium Corporation 1122235

Opinion

We have audited the financial statements of Condominium Corporation 1122235 (the "Corporation"), which comprise the statement of financial position as at December 31, 2023 and the statement of operating fund operations and change in operating fund balance, statement of capital replacement reserve fund operations and change in capital reserve fund balance, statement of capital improvement loan fund operations and change in capital improvement loan fund balance, statement of cash flow, 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 December 31, 2023, and results of its operations and 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

We were engaged to conduct an audit, in accordance with Canadian generally accepted auditing standards, on the financial statements prepared by the Corporation's management in accordance with Canadian accounting standards for not-for-profit organizations. We were not engaged to, nor do we, provide any assurance as to whether the Corporation is in compliance with all aspects of the Condominium Property Act, RSA 2000.

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

Management is responsible for the preparation and fair presentation of these 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.

(continues)

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 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.

BDO Canada LLP

Red Deer, Alberta
April 17, 2024

Chartered Professional Accountants

CONDOMINIUM CORPORATION 1122235

Statement of Financial Position

December 31, 2023

	Operating Fund	Reserve Fund	Capital Improvement Loan Fund	Total December 31 2023	Total December 31 2022
ASSETS					
CURRENT					
Cash	\$ 42,495	\$ 2,627	\$ -	\$ 45,122	\$ 23,522
Temporary investments (Note 2)	-	118,267	-	118,267	156,310
Restricted cash	5,284	-	-	5,284	8,362
Accounts receivable	54,683	-	-	54,683	64,092
Prepaid expenses	1,594	18,652	-	20,246	-
	104,056	139,546	-	243,602	252,286
PROPERTY AND EQUIPMENT (Note 3)	36,469	-	-	36,469	40,059
	\$ 140,525	\$ 139,546	\$ -	\$ 280,071	\$ 292,345
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 159,409	\$ -	\$ -	\$ 159,409	\$ 242,583
Security deposits	4,700	-	-	4,700	8,100
Current portion of long term debt (Note 4)	-	-	368,590	368,590	307,698
	164,109	-	368,590	532,699	558,381
LONG TERM DEBT (Note 4)	-	-	1,653,282	1,653,282	1,794,254
TOTAL LIABILITIES	164,109	-	2,021,872	2,185,981	2,352,635
NET ASSETS					
Investment in property and equipment	36,469	-	-	36,469	40,059
Operating Fund	(60,053)	-	-	(60,053)	(172,349)
Capital Replacement Reserve Fund (Note 5 and 7)	-	139,546	-	139,546	173,952
Capital Improvement Loan Fund (Note 4)	-	-	(2,021,872)	(2,021,872)	(2,101,952)
	(23,584)	139,546	(2,021,872)	(1,905,910)	(2,060,290)
	\$ 140,525	\$ 139,546	\$ -	\$ 280,071	\$ 292,345

Approved by the Board of Directors

_____ Director

_____ Director

CONDOMINIUM CORPORATION 1122235

Statement of Operating Fund Operations
and Change in Operating Fund Balance

Year Ended December 31, 2023

	2023	2022
REVENUE		
Condominium fees and levies	\$ 3,367,040	\$ 3,390,383
Special assessment for 2022 shortfall	172,500	-
Special assessment	60,000	-
Parking	88,487	77,248
Commercial rent	49,462	62,114
Interest income	14,062	11,716
Other income	72,570	64,120
	3,824,121	3,605,581
EXPENSES		
Advertising	250	788
Amortization	3,591	3,986
Automotive and gas	5,703	6,897
Building repairs and maintenance	51,854	64,087
Electric, plumbing and mechanical maintenance	139,483	133,017
Elevator maintenance	41,117	30,588
Equipment repairs and maintenance	10,675	12,461
Fire alarm system	33,772	32,653
Fixtures	14,807	-
Garage and parkade maintenance	4,911	2,811
Grounds maintenance	15,227	55,935
Insurance and licenses	993,310	1,055,906
Interest and bank charges	9,983	6,032
Interest on long term debt	119,178	142,584
Management fees (Note 6)	287,020	273,712
Office	21,484	14,867
Pest control	5,516	8,448
Professional fees	29,817	31,678
Property taxes	5,460	5,854
Security and monitoring	196,293	194,310
Supplies and small tools	16,437	34,938
Telephone	18,377	17,966
Utilities	911,368	933,674
Wages and employee benefits	779,783	696,271
	3,715,416	3,759,466
	108,705	(153,885)
Net investment in property and equipment	3,591	3,986
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	112,296	(149,898)
Operating fund deficiency at beginning of year	(172,349)	(22,451)
OPERATING FUND DEFICIENCY AT END OF YEAR	\$ (60,053)	\$ (172,349)

CONDOMINIUM CORPORATION 1122235

**Statement of Capital Replacement Reserve Fund Operations
and Change in Capital Reserve Fund Balance**

Year Ended December 31, 2023

	2023	2022
REVENUE		
Capital replacement reserve fund levy	\$ 100,000	\$ 21,924
Interest income	1,604	222
Unrealized gain/(loss) on investments	8,184	(18,761)
	109,788	3,385
EXPENSES		
Building exterior replacement	-	50,933
Electrical	2,909	843
Elevator modernization	-	14,375
Fire safety systems	12,709	4,946
Grounds equipment	3,997	-
Gym equipment and upgrades	3,338	-
Heating and mechanical replacement	32,601	8,545
Landscaping	13,090	14,029
Lighting	3,703	-
Painting and decor common areas	-	1,494
Parking lot	2,075	-
Plumbing	5,726	12,148
Roofing	8,258	-
Security improvements	11,330	18,125
Signage	2,153	3,508
Water main breaks	40,000	-
Windows and doors	2,304	-
	144,193	128,946
DEFICIENCY OF REVENUE OVER EXPENSES	(34,406)	(125,561)
Capital replacement reserve fund balance at beginning of year	173,952	299,513
CAPITAL REPLACEMENT RESERVE FUND BALANCE		
AT END OF YEAR	\$ 139,546	\$ 173,952

CONDOMINIUM CORPORATION 1122235

**Statement of Capital Improvement Loan Fund Operations
and Change in Capital Improvement Loan Fund Balance**

Year Ended December 31, 2023

	2023	2022
REVENUE		
Capital improvement loan fund levy	\$ 345,112	\$ 321,768
EXPENSES		
Electrical upgrades	5,872	1,713
Elevator	1,838	248,598
Exterior painting	21,871	-
Façade improvements	21,701	-
Heating and mechanical	10,888	27,185
Landscaping	12,030	-
Lighting	17,974	-
Parkade	-	12,900
Plumbing	25,257	-
Roofing	9,393	85,934
Security improvements	12,372	6,648
Signage	1,608	-
Water main breaks	124,228	-
	<u>265,032</u>	<u>382,978</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	80,080	(61,210)
Capital improvement loan fund deficiency at beginning of year	<u>(2,101,952)</u>	<u>(2,040,742)</u>
CAPITAL IMPROVEMENT LOAN FUND		
DEFICIENCY AT END OF YEAR	<u>\$ (2,021,872)</u>	<u>\$ (2,101,952)</u>

CONDOMINIUM CORPORATION 1122235

Statement of Cash Flow

Year Ended December 31, 2023

	Operating Fund	Reserve Fund	Capital Improvement Loan Fund	2023 Total	2022 Total
OPERATING ACTIVITIES					
Direct operating activities					
Cash receipts	\$ 3,819,468	\$ 101,604	\$ 345,112	\$ 4,266,184	\$ 4,366,510
Cash paid to suppliers, employees and interfund transfers	(3,786,932)	(178,223)	(265,032)	(4,230,187)	(4,256,957)
Interest received	14,062	1,604	-	15,666	11,938
Interest paid	(9,983)	-	-	(9,983)	(6,032)
	<u>36,615</u>	<u>(75,015)</u>	<u>80,080</u>	<u>41,680</u>	<u>115,459</u>
INVESTING ACTIVITY					
Proceeds on investments	-	60,000	-	60,000	-
FINANCING ACTIVITY					
Proceeds on long term debt	-	-	265,032	265,032	125,079
Repayment of long term debt	-	-	(345,112)	(345,112)	(323,128)
	-	-	(80,080)	(80,080)	(198,049)
INCREASE (DECREASE) IN CASH FLOW	<u>36,615</u>	<u>(15,015)</u>	<u>-</u>	<u>21,600</u>	<u>(82,590)</u>
Cash - beginning of year	<u>5,880</u>	<u>17,642</u>	<u>-</u>	<u>23,522</u>	<u>106,112</u>
CASH - END OF YEAR	<u>\$ 42,495</u>	<u>\$ 2,627</u>	<u>\$ -</u>	<u>\$ 45,122</u>	<u>\$ 23,522</u>

CONDOMINIUM CORPORATION 1122235

Notes to Financial Statements

Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination 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 estimates and approximations prepared by management, which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies as summarized as follows:

Nature of operations

Condominium Corporation 1122235 "Corporation" was incorporated under the Condominium Property Act and is responsible for the control, management and administration of the real, personal and common property as defined by the Corporation's Bylaws of the project known as River Park Glen, located in Fort McMurray, Alberta. These statements represent the operations of the condominium association which includes 498 residential and 5 commercial units in the total project plus 376 covered parking units and 293 surface parking units.

The financial statements include only the assets, liabilities, revenues and expenses relating to the operations of the Corporation. The statements do not include the cost of land or buildings or outstanding principal balances on mortgages which are the responsibility of the owners.

Basis of accounting

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Fund accounting

The Corporation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the condominium's operating and administrative activities.

The Capital Replacement Reserve Fund reports the fee assessments from unit owners that are to be set aside and used for future costs of major repairs and replacements.

The Capital Improvement Loan Fund accounts for the capital improvement project started in 2021 to help with insurability, curb appeal and comfort, and the loan advances used to finance these improvements.

Revenue recognition

The Corporation recognizes condominium fee assessments related to general operations as revenue of the Operating Fund as billed to the owners. Billings for the condominium fees consist of estimates of monthly charges based on approved budgets. Commercial rent, parking, interest charges, and other income are recognized as revenue of the Operating Fund as billed. All expenses are recognized as incurred.

(continues)

CONDOMINIUM CORPORATION 1122235

Notes to Financial Statements

Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Condominium fees and special assessments related to the Capital Replacement Reserve Fund are recognized as revenue of the Reserve Fund as billed to the owners.

Condominium fees and special assessments related to the Capital Improvement Loan Fund are recognized as revenue of the Reserve Fund as billed to the owners.

Interest income earned on operating cash is recognized as revenue of the Operating Fund.

Investment income earned on reserve fund investments is recognized as revenue of the Capital Replacement Reserve Fund.

Investment income earned on special project investments is recognized as revenue of the Capital Improvement Loan Fund.

Temporary investments

Temporary investments consist of investments for which there are quoted prices in an active market and are recorded at fair market value.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The following rates of amortization, using the declining balance method, are used to allocate the cost of these assets, less any residual or salvage value, over their expected useful life:

Computer equipment	30%
General equipment	20%
Parking lot	8%
Building additions	10%
Fencing	10%

Taxation

The Corporation meets certain exemptions to Section 149(1)(l) of the Canadian Income Tax Act, as allowed for not-for-profit organizations and accordingly, no provision for income taxes is required or reflected in the accompanying financial statements. A corporate tax return is still required for the not-for-profit organization and is being filed annually.

Financial instruments

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, security deposits, and long-term debt. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in their respective fund. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Unless otherwise indicated, it is management's opinion that the condominium is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

CONDOMINIUM CORPORATION 1122235

Notes to Financial Statements

Year Ended December 31, 2023

2. TEMPORARY INVESTMENTS

The Corporation holds temporary investments comprised of equity investments and fixed income investments.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 7,713	\$ 7,711	\$ 2	\$ 3
General equipment	45,982	44,364	1,618	2,022
Parking lot	86,053	57,624	28,429	30,901
Building additions	23,639	23,637	2	3
Fencing	36,228	29,810	6,418	7,131
	<u>\$199,615</u>	<u>\$163,146</u>	<u>\$ 36,469</u>	<u>\$ 40,059</u>

4. LONG TERM DEBT

	2023	2022
CWB Maxium Financial loan payable as described in below note	\$ 2,021,872	\$ 2,101,952
Amounts payable within one year	(368,590)	(307,698)
	<u>\$ 1,653,282</u>	<u>\$ 1,794,254</u>
Principal repayment terms are approximately:		
2024	368,590	
2025	393,667	
2026	420,450	
2027	839,165	
	<u>\$ 2,021,872</u>	

The loan is secured by a general security agreement over the assets of the Condominium Corporation including all unpaid owner contributions, whether levied or not.

In October 2022, an amending agreement was signed to increase the loan to the authorized borrowing limit of \$3,000,000 as approved by the Owners in February 2021.

(continues)

CONDOMINIUM CORPORATION 1122235

Notes to Financial Statements

Year Ended December 31, 2023

4. LONG TERM DEBT *(continued)*

All funds were used for capital improvement expenditures. The loan is secured by a general security agreement. The term loan is payable in monthly blended instalments of \$38,772 including interest at 6.60%, maturing on December 15, 2027. At year end the loan balance was \$2,021,872 and includes \$390,111 of interim draws (2023 - \$265,032, 2022 - \$125,079) accruing interest at prime plus 3.50% (2022 - prime plus 3.50%). Prime rate as at December 31, 2023 is 7.20% (2022 - 6.45%). At the time of completion of the interim draws the interim funding facility will convert to a fixed rate term loan. The funds are used for projects normally paid from the Reserve fund.

5. CAPITAL REPLACEMENT RESERVE FUND

The Capital Replacement Reserve Fund is an internally restricted amount established by the Corporation to be used for the repair or replacement of any common area property when the repair or replacement does not occur annually. Annual repairs and replacements are charges to general operations during the year of expenditure. This reserve is not available for any expenditure without approval of the Board of Directors.

6. RELATED PARTY TRANSACTIONS

The Corporation entered into a three-year contract effective July 1, 2022, with On-Site Solutions Inc. to manage the Corporation. A minority shareholder of On-Site Solutions Inc. is a board member of the Corporation. Annual management fees paid to On-Site Solutions Inc. were \$287,020 (2022 - \$273,712). Annual management fees due in each year are \$287,020.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. ADEQUACY OF CAPITAL REPLACEMENT RESERVE FUND

The Corporation had a Reserve Fund Study completed effective March 27, 2019. The Corporation is responsible to fund for the general maintenance and repair of the buildings and parkade. In the opinion of the professional engineer who completed the study, the Capital Replacement Reserve Fund should have a balance of \$934,720 by December 31, 2023 (2022 - \$738,699). At the year end the Capital Replacement Reserve Fund had a balance of \$139,546 (2022 - \$173,952). As described in Note 4, the Corporation used financing during the current year to complete several projects that were originally planned for future years and funding of \$290,353 is available for reserve fund projects.

The Corporation is monitoring the Capital Replacement Reserve Fund and the timing of the various repairs and maintenance items identified in the study to ensure adequate funding is in place.

CONDOMINIUM CORPORATION 1122235

Notes to Financial Statements

Year Ended December 31, 2023

8. FINANCIAL INSTRUMENT RISKS

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its long-term debt.

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
