

**CONDOMINIUM CORPORATION NO. 022-2718**

*(Operating as Phillips Lofts)*

**Financial Statements**

**Year Ended July 31, 2008**

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**AUDITORS' REPORT**

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

We have audited the statement of financial position of Condominium Corporation No. 022-2718 (operating as Phillips Lofts) as at July 31, 2008 and the statements of operations, capital replacement reserve fund and capital improvement reserve fund for the year then ended. These financial statements are the responsibility of the corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at July 31, 2008 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  
October 24, 2008

  
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, 2008**

	2008	2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 32,539	\$ 21,454
Accounts receivable	7,391	2,861
Intellimeter receivable	13,336	15,882
Prepaid expenses	4,892	4,100
	58,158	44,297
<b>INVESTMENTS HELD FOR CAPITAL</b>		
REPLACEMENT RESERVE FUND <i>(Note 4)</i>	204,413	157,010
<b>INVESTMENTS HELD FOR CAPITAL IMPROVEMENT</b>		
RESERVE FUND <i>(Note 5)</i>	50,941	13,907
	\$ 313,512	\$ 215,214
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,903	\$ 3,764
Utilities payable	10,486	10,335
Security deposits	6,300	5,700
	22,689	19,799
<b>NET ASSETS</b>		
Restricted for capital replacement reserve fund	204,413	157,010
Restricted for capital improvement reserve fund	50,941	13,907
Unrestricted	35,469	24,498
	290,823	195,415
	\$ 313,512	\$ 215,214

**COMMITMENTS** *(Note 6)*

**APPROVED BY THE BOARD**

\_\_\_\_\_ *Director*

\_\_\_\_\_ *Director*

**CONDOMINIUM CORPORATION NO. 022-2718***(Operating as Phillips Lofts)***Statement of Operations****Year Ended July 31, 2008**

	2008	2007
<b>INCOME</b>		
Condominium fees	\$ 236,551	\$ 219,025
Utility recoveries	26,938	30,447
Other income	4,127	16,032
	<u>267,616</u>	<u>265,504</u>
<b>EXPENSES</b>		
<b>Utilities</b>		
Power	40,312	46,539
Gas	23,640	26,295
Water, sewer and waste disposal	18,763	15,719
Telephone and communication	1,405	1,419
	<u>84,120</u>	<u>89,972</u>
<b>Contracts</b>		
Cleaning contract	9,328	9,947
Elevator contract	6,885	7,106
Mechanical contract	815	1,348
Snow removal contract	1,976	1,145
	<u>19,004</u>	<u>19,546</u>
<b>Maintenance</b>		
Cleaning maintenance	1,826	560
Mechanical maintenance	1,061	7,938
Building interior	5,555	4,438
Building exterior	6,881	5,703
Fire protection and security	2,921	4,204
	<u>18,244</u>	<u>22,843</u>
<b>Administration</b>		
Management fees	16,078	9,260
Insurance	10,108	9,342
Professional fees	5,510	5,112
Administration	5,332	3,750
	<u>37,028</u>	<u>27,464</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE TRANSFERS</b>	<b>109,220</b>	<b>105,679</b>
Transfers	(98,249)	(104,962)
	<u>10,971</u>	<u>717</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>24,498</b>	<b>23,781</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 35,469</b>	<b>\$ 24,498</b>

CONDOMINIUM CORPORATION NO. 022-2718

*(Operating as Phillips Lofts)*

Statement of Capital Replacement Reserve Fund

Year Ended July 31, 2008

	2008	2007
<b>REVENUE</b>		
Investment income	\$ 4,730	\$ 3,533
<b>EXPENSES</b>		
Exterior painting	3,016	1,659
Bank charges	38	-
	<u>3,054</u>	<u>1,659</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE TRANSFERS</b>	<b>1,676</b>	1,874
Transfer from operations	<u>45,727</u>	83,099
	<b>47,403</b>	84,973
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u><b>157,010</b></u>	<u>72,037</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 204,413</b></u>	<u>\$ 157,010</u>

**CONDOMINIUM CORPORATION NO. 022-2718***(Operating as Phillips Lofts)***Statement of Capital Improvement Reserve Fund****Year Ended July 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>REVENUE</b>		
Interest	\$ 1,658	\$ -
<b>EXPENSES</b>		
Artwork	1,279	-
Bank charges and interest	38	-
Corner guards	1,071	-
Heat tapes for back steps	1,076	-
Lighting	462	-
Lock/timer - common area patio	-	1,511
Mailboxes	299	-
Mats	-	1,062
Painting	-	6,051
Rooftop patio	7,875	-
Snow melt system/hot water heaters	4,153	-
Utility cage	893	-
Parking lot resurfacing	-	21,311
Suite numbers	-	863
	<u>17,146</u>	<u>32,456</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENSES BEFORE TRANSFERS</b>	<b>(15,488)</b>	<b>(30,798)</b>
Transfer from operations	<u>52,522</u>	<u>21,862</u>
	<b>37,034</b>	<b>(8,936)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u><b>13,907</b></u>	<u>22,843</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 50,941</b></u>	<u>\$ 13,907</u>

**CONDOMINIUM CORPORATION NO. 022-2718**

*(Operating as Phillips Lofts)*

**Notes to Financial Statements**

**Year Ended July 31, 2008**

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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.

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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 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, 2008**

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

Revenue recognition

Monthly condominium fees 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.

Investment income includes capital gains dividends, interest income and realized gains and losses. Unrealized gains and losses 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.

Recent accounting pronouncements

The Canadian Institute of Chartered Accountants released a new accounting standard on Capital Disclosures. This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the corporation beginning August 1, 2008.

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3. FINANCIAL INSTRUMENTS

The corporation adopted fair value accounting for its investment held in TD mutual funds using the available for sale method effective August 1, 2007. The new accounting policy appropriately depicts investment performance and provides more relevant information. The valuation basis as at July 31, 2007 is cost since generally accepted accounting principles preclude restatement of prior years when adopting market value accounting for investments. There were no material effects on the corporation's financial statements when these standards were adopted.

For cash, accounts receivable, intellimeter receivable, guaranteed investments certificates held for capital replacement reserve fund and capital improvement reserve fund, accounts payable and accrued liabilities, utilities payable and security deposits, the carrying amounts of these financial instruments approximate their fair value due to their short term maturities.

It is management's opinion that the corporation is not exposed to any significant interest, currency or credit risks arising from these financial instruments.

Subsequent to July 31, 2008, financial markets experienced a high degree of volatility and the corporation's investment in TD mutual funds was subject to this volatility.

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CONDOMINIUM CORPORATION NO. 022-2718

*(Operating as Phillips Lofts)*

Notes to Financial Statements

Year Ended July 31, 2008

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4. INVESTMENTS HELD FOR CAPITAL REPLACEMENT RESERVE FUND

	<u>2008</u>	<u>2007</u>
Cash	\$ 68,638	\$ 126,460
Guaranteed investment certificate	104,026	-
TD Mutual funds (quoted market value: 2007 - \$30,214)	<u>31,749</u>	<u>30,550</u>
	<u>\$ 204,413</u>	<u>\$ 157,010</u>

The guaranteed investment certificate bears interest at prime plus 2.50% and matures on September 25, 2008.

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5. INVESTMENTS HELD FOR CAPITAL IMPROVEMENT RESERVE FUND

	<u>2008</u>	<u>2007</u>
Cash	\$ 669	\$ 13,907
Guaranteed investment certificate	<u>50,272</u>	<u>-</u>
	<u>\$ 50,941</u>	<u>\$ 13,907</u>

The guaranteed investment certificate bears interest at prime plus 2.50% and matures on September 25, 2008.

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6. COMMITMENTS

The corporation has engaged Fochaus Management Inc, to manage certain affairs of the condominium. The agreement requires monthly compensation of \$1,338 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.

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7. STATEMENT OF CASH FLOWS

A statement of cash flows is not presented in these financial statements as the information enclosed thereon is evident from the financial statements provided.

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