

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Financial Statements

Year Ended July 31, 2009

AUDITORS' REPORT

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, 2009 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, 2009 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 28, 2009


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, 2009

	2009	2008
ASSETS		
CURRENT		
Cash <i>(Note 4)</i>	\$ 44,736	\$ 32,539
Accounts receivable	5,333	7,391
Intellimeter receivable	7,540	13,336
Prepaid expenses	6,090	4,892
	63,699	58,158
INVESTMENTS HELD FOR CAPITAL REPLACEMENT RESERVE FUND <i>(Note 5)</i>		
	263,291	204,413
INVESTMENTS HELD FOR CAPITAL IMPROVEMENT RESERVE FUND <i>(Note 6)</i>		
	66,915	50,941
	\$ 393,905	\$ 313,512
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 16,106	\$ 5,903
Utilities payable	9,481	10,486
Security deposits	9,050	6,300
	34,637	22,689
NET ASSETS		
Restricted for capital replacement reserve fund	263,291	204,413
Restricted for capital improvement reserve fund	66,915	50,941
Unrestricted	29,062	35,469
	359,268	290,823
	\$ 393,905	\$ 313,512

COMMITMENTS *(Note 7)*

APPROVED BY THE BOARD

_____ *Director*

_____ *Director*

CONDOMINIUM CORPORATION NO. 022-2718*(Operating as Phillips Lofts)***Statement of Operations****Year Ended July 31, 2009**

	2009	2008
INCOME		
Condominium contributions	\$ 236,550	\$ 236,551
Utility recoveries	28,016	26,938
Other income	2,133	4,127
	<u>266,699</u>	<u>267,616</u>
EXPENSES		
Utilities		
Power	37,020	40,312
Gas	23,524	23,640
Water, sewer and waste disposal	22,245	18,763
Telephone and communication	1,661	1,405
	<u>84,450</u>	<u>84,120</u>
Contracts		
Cleaning contract	9,597	9,328
Elevator contract	7,144	6,885
Mechanical contract	2,444	815
Snow removal contract	2,573	1,976
	<u>21,758</u>	<u>19,004</u>
Maintenance		
Cleaning maintenance	2,938	1,826
Mechanical maintenance	6,454	1,061
Building interior	4,331	5,555
Building exterior	7,675	6,881
Fire protection and security	4,475	2,921
	<u>25,873</u>	<u>18,244</u>
Administration		
Management fees	15,901	16,078
Insurance	19,046	10,108
Professional fees	13,583	5,510
Administration	4,553	5,332
	<u>53,083</u>	<u>37,028</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE TRANSFERS	81,533	109,220
Transfers	(87,940)	(98,249)
	<u>(6,407)</u>	<u>10,971</u>
NET ASSETS AT BEGINNING OF YEAR	35,469	24,498
NET ASSETS AT END OF YEAR	\$ 29,062	\$ 35,469

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Statement of Capital Replacement Reserve Fund

Year Ended July 31, 2009

	2009	2008
REVENUE		
Investment income	\$ 4,313	\$ 4,730
EXPENSES		
Exterior painting	1,600	3,016
Bank charges	-	38
	<u>1,600</u>	<u>3,054</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE TRANSFERS	2,713	1,676
Transfer from operations	<u>56,165</u>	<u>45,727</u>
	58,878	47,403
NET ASSETS AT BEGINNING OF YEAR	<u>204,413</u>	<u>157,010</u>
NET ASSETS AT END OF YEAR	<u>\$ 263,291</u>	<u>\$ 204,413</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Statement of Capital Improvement Reserve Fund

Year Ended July 31, 2009

	2009	2008
REVENUE		
Interest	\$ 624	\$ 1,658
EXPENSES		
Artwork	-	1,279
Bank charges and interest	-	38
Corner guards	2,657	1,071
Enhanced security features	3,703	299
Garbage cans	2,507	-
Heat tapes for back steps	-	1,076
Lighting	-	462
Miscellaneous	2,212	-
Rooftop patio	5,346	7,875
Snow melt system and hot water heaters	-	4,153
Utility cage	-	893
	<u>16,425</u>	<u>17,146</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES BEFORE TRANSFERS	(15,801)	(15,488)
Transfer from operations	<u>31,775</u>	<u>52,522</u>
	15,974	37,034
NET ASSETS AT BEGINNING OF YEAR	<u>50,941</u>	<u>13,907</u>
NET ASSETS AT END OF YEAR	<u>\$ 66,915</u>	<u>\$ 50,941</u>

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2009

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.

(continues)

CONDOMINIUM CORPORATION NO. 022-2718

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Notes to Financial Statements

Year Ended July 31, 2009

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 (2009 - \$6,300) restricted for security deposits.

5. INVESTMENTS HELD FOR CAPITAL REPLACEMENT RESERVE FUND

	<u>2009</u>	<u>2008</u>
Cash	\$ -	\$ 68,638
Guaranteed investment certificate	129,107	104,026
HSBC Mortgage fund	101,402	-
TD Mutual funds	32,782	31,749
	<u>\$ 263,291</u>	<u>\$ 204,413</u>

The guaranteed investment certificate bears interest at prime plus 0.10% and matures on August 25, 2009.

CONDOMINIUM CORPORATION NO. 022-2718

(Operating as Phillips Lofts)

Notes to Financial Statements

Year Ended July 31, 2009

6. INVESTMENTS HELD FOR CAPITAL IMPROVEMENT RESERVE FUND

	<u>2009</u>	<u>2008</u>
Cash	\$ -	\$ 669
Guaranteed investment certificate	<u>66,915</u>	<u>50,272</u>
	<u>\$ 66,915</u>	<u>\$ 50,941</u>

The guaranteed investment certificate bears interest at prime plus 0.10% and matures on August 25, 2009.

7. COMMITMENTS

The corporation has engaged Fochaus Management Inc, to manage certain affairs of the condominium. The agreement requires monthly compensation of \$1,325 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 payment of \$1,733 to July 2012.

8. 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.

9. 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.
