

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600

FINANCIAL STATEMENTS

DECEMBER 31, 2015

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Owners of
Metropolitan Toronto Condominium Corporation No. 600

We have audited the accompanying financial statements of Metropolitan Toronto Condominium Corporation No. 600, which comprise the statement of financial position as at December 31, 2015 and the statement of general fund operations and fund balance, statement of equipment fund, statement of reserve fund and statement of 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 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.

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 Metropolitan Toronto Condominium Corporation No. 600 as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

Late Notice of Future Funding of The Reserve Fund

As required by Section 67(5) of the Condominium Act, 1998, we report that the corporation had not completed a reserve fund study within three years of the preceding study and had not issued a Notice of Future Funding of The Reserve Fund within the prescribed times. This was not in accordance with the requirements of Section 94 of the Act and Regulation 48/01 Section 31 related thereto. However, the reserve fund study has since been completed. See Note 5 to the financial statements.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants

Licensed Public Accountants

TORONTO, Canada

June 2, 2016

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

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	2015 \$	2014 \$
ASSETS		
CURRENT		
Cash	150,674	15,951
Accounts receivable	219	1,214
Prepaid expenses	<u>9,600</u>	<u>143,000</u>
	160,493	160,165
RESERVE CASH (Note 2)	969,337	1,029,170
EQUIPMENT (Note 3)	<u>41,599</u>	<u>52,422</u>
	<u>1,171,429</u>	<u>1,241,757</u>
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	77,095	31,779
Government remittances payable	<u>1,793</u>	<u>1,503</u>
	<u>78,888</u>	<u>33,282</u>
FUND BALANCES		
General fund	71,269	38,805
Equipment fund	41,599	52,422
Reserve fund (Note 5)	<u>979,673</u>	<u>1,117,248</u>
	<u>1,092,541</u>	<u>1,208,475</u>
	<u>1,171,429</u>	<u>1,241,757</u>

COMMITMENTS (Note 4)

APPROVED ON BEHALF OF THE BOARD:

Signed "Greg Geralde", Director

Signed "Alan Gracan", Director

See accompanying notes to the financial statements.

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600
STATEMENT OF GENERAL FUND OPERATIONS AND FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2015

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	2015 <u>Budget</u> \$ (Note 8)	2015 <u>Actual</u> \$	2014 <u>Actual</u> \$
REVENUE			
Owners' assessments	658,380	658,380	658,380
Interest and other income	<u>1,100</u>	<u>2,300</u>	<u>1,754</u>
	<u>659,480</u>	<u>660,680</u>	<u>660,134</u>
Less: Allocations to reserve fund (Note 5)	222,009	222,009	213,468
Allocation to equipment fund	<u>-</u>	<u>-</u>	<u>41,865</u>
	<u>222,009</u>	<u>222,009</u>	<u>255,333</u>
	<u>437,471</u>	<u>438,671</u>	<u>404,801</u>
EXPENSES (see Schedule of Expenses)			
Utilities and taxes	208,875	198,111	189,736
Service and maintenance contracts	90,490	97,711	97,024
Administration	78,506	76,480	72,744
Repairs and maintenance	<u>59,600</u>	<u>33,905</u>	<u>46,146</u>
	<u>437,471</u>	<u>406,207</u>	<u>405,650</u>
Excess (deficiency) of revenue over expenses	<u>-</u>	32,464	(849)
FUND BALANCE , beginning of year		<u>38,805</u>	<u>129,654</u>
		71,269	128,805
Transfer to reserve fund		<u>-</u>	<u>(90,000)</u>
FUND BALANCE , end of year		<u>71,269</u>	<u>38,805</u>

See accompanying notes to the financial statements.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 <u>Budget</u> \$ (Note 8)	2015 <u>Actual</u> \$	2014 <u>Actual</u> \$
UTILITIES AND TAXES			
Hydro	82,000	83,521	79,065
Gas	48,000	43,082	37,975
Cable TV	36,580	35,273	34,359
Water and sewer	37,095	32,960	34,394
Property taxes	3,100	2,879	2,863
Fuel	<u>2,100</u>	<u>396</u>	<u>1,080</u>
	<u>208,875</u>	<u>198,111</u>	<u>189,736</u>
REPAIRS AND MAINTENANCE			
Alarm and security systems	19,000	16,882	19,274
Plumbing	13,000	4,835	4,641
General building maintenance - exterior	9,000	3,832	3,717
Supplies	3,600	3,562	3,122
General building maintenance - interior	9,000	3,105	1,155
Recreational	3,000	1,231	1,287
Electrical and mechanical	3,000	458	711
Additions and improvements	<u>-</u>	<u>-</u>	<u>12,239</u>
	<u>59,600</u>	<u>33,905</u>	<u>46,146</u>
SERVICE AND MAINTENANCE CONTRACTS			
HVAC maintenance	34,600	35,919	34,793
Elevators	13,240	21,168	22,994
Insurance	18,500	17,554	16,776
Fire safety	10,600	10,151	11,611
Cleaning - exterior	3,400	5,727	4,220
Cleaning - interior	5,350	5,293	4,592
Compactor	2,000	1,289	509
Pest control	800	610	635
Grounds	<u>2,000</u>	<u>-</u>	<u>894</u>
	<u>90,490</u>	<u>97,711</u>	<u>97,024</u>
ADMINISTRATION			
Wages and benefits	59,810	61,899	55,502
Office and general	6,350	8,157	6,516
Audit fee	4,746	4,520	4,520
Interest and bank charges	1,100	1,256	992
Legal fee	1,500	389	-
Consultants fee	<u>5,000</u>	<u>259</u>	<u>5,214</u>
	<u>78,506</u>	<u>76,480</u>	<u>72,744</u>

See accompanying notes to the financial statements.

STATEMENT OF EQUIPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 <u>Actual</u> \$	2014 <u>Actual</u> \$
BALANCE , beginning of year	52,422	17,707
ADD: Allocation from operating fund for purchase of equipment	-	41,865
DEDUCT: Amortization	<u>10,823</u>	<u>7,150</u>
BALANCE , end of year	<u>41,599</u>	<u>52,422</u>

See accompanying notes to the financial statements.

STATEMENT OF RESERVE FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 <u>Actual</u> \$	2014 <u>Actual</u> \$
BALANCE , beginning of year	<u>1,117,248</u>	<u>1,100,959</u>
ADD:		
Annual allocation from owners' assessments (Note 5)	222,009	213,468
Special assessment (Note 5)	198,500	-
Interest income	6,437	11,834
Transfer from operating fund	-	90,000
	<u>426,946</u>	<u>315,302</u>
DEDUCT:		
Hallway repairs	294,079	-
Elevator and mechanical repairs	265,408	95,836
Fire safety	5,034	-
Recreational repairs	-	203,177
	<u>564,521</u>	<u>299,013</u>
BALANCE , end of year	<u>979,673</u>	<u>1,117,248</u>

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Owners' assessments for:		
General operations	437,366	443,698
Reserve fund	222,009	213,468
Special assessment	198,500	-
Interest on reserve fund cash	6,437	11,834
Sundry revenue	2,300	1,754
Operating expenses	(414,052)	(404,983)
Reserve fund expenses	<u>(377,670)</u>	<u>(442,013)</u>
Change in cash flows from operating activities	<u>74,890</u>	<u>(176,242)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(41,865)
Decrease in reserve cash	<u>59,833</u>	<u>220,179</u>
Change in cash flows from investing activities	<u>59,833</u>	<u>178,314</u>
Increase in cash	134,723	2,072
Cash, beginning of year	<u>15,951</u>	<u>13,879</u>
Cash, end of year	<u><u>150,674</u></u>	<u><u>15,951</u></u>

See accompanying notes to the financial statements.

Metropolitan Toronto Condominium Corporation No. 600 (the "Corporation") was registered without share capital in 1983 under the laws of the Condominium Act of Ontario (the "Act"). The Corporation was formed to manage and maintain, on behalf of the owners, the common elements of 54 residential units and 1 commercial unit located in the City of Toronto. For Canadian income tax purposes the Corporation qualifies as a not-for-profit organization which is exempt from income tax under the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below. Outlined below are those policies considered particularly significant.

Fund Accounting:

The Corporation follows fund accounting.

The general fund reports the assessments from owners and expenses related to the operations and administration of the common elements.

The reserve fund reports the assessments from owners and expenditures for major repair and replacement costs of the common elements and assets. The basis for determining the reserve fund's requirements is explained in Note 5. Only major repairs and replacements must be charged to the reserve fund with the exception of the costs of reserve fund studies which may be changed to repairs and maintenance of the reserve fund. Minor repairs and replacements are charged to repairs and maintenance of the general fund. The Corporation segregates amounts accumulated for the purpose of financing future charges to the reserve fund in special accounts, for use only to finance such charges.

The equipment fund was established to account for the acquisition of equipment and the related amortization.

Equipment:

Units and any real property directly associated with the units, which were purchased by unit holders initially from the developer, are not recognized as capital assets of the Corporation since they are owned by the unit owners.

Real property purchases made after the date of registration are recognized as capital assets of the Corporation when the Corporation has paid for them as the owner, they can be disposed of at the discretion of the board, or where required, with the approval of the owners, and any consideration received can be retained by the Corporation. Purchases which do not meet these criteria are expensed.

Equipment are stated at acquisition cost. Amortization is provided as follows:

Furniture and fixtures	5 years straight-line
Gym equipment	7 years straight-line
Sauna	7 years straight-line

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Owners assessments are recognized as revenue in the statement of operations monthly based on the budget distributed to owners each year. Special assessments are recognized as revenue when they become payable by the owners to the Corporation. Interest and other revenue are recognized as revenue of the related fund when earned.

Financial Instruments:

Measurement of financial instruments

The Corporation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market. Financial assets measured at amortized cost include cash, accounts receivable and reserve cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Measurement Uncertainty:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of revenues and expenditures during the reporting period. The Company regularly reviews its estimates and assumptions; however, actual results could differ from those estimates and these differences could be material.

2. RESERVE CASH

	2015 \$	2014 \$
Cash	7,067	23,337
Business Investment Savings Account	<u>962,270</u>	<u>1,005,833</u>
	<u>969,337</u>	<u>1,029,170</u>

The Business Investment Savings Account is with a Canadian Banking institution earning interest at a rate of 0.25% (2014 - 1%). Interest is paid monthly.

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3. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net</u>	<u>2014 Net</u>
	\$	\$	\$	\$
Furniture and fixtures	32,546	13,727	18,819	25,500
Gym equipment	20,117	4,311	15,806	18,680
Sauna	<u>8,876</u>	<u>1,902</u>	<u>6,974</u>	<u>8,242</u>
	<u>61,539</u>	<u>19,940</u>	<u>41,599</u>	<u>52,422</u>

4. COMMITMENTS

The Corporation is committed to various long term contracts for maintenance of machinery and equipment, premise and building security, cable services and other general maintenance. The total amount of future commitments relating to these long term contracts are as follows:

2016	\$ 73,599
2017	13,870
2018	10,080
2019	10,080
2020 and thereafter	<u>23,520</u>
	<u>\$ 131,149</u>

5. RESERVE FUND

The Corporation, as required by the Condominium Act, 1998, has established a reserve to finance future major repairs and replacements of the common elements and assets.

The directors have used the comprehensive reserve fund study of Building Sciences Inc., dated November 8, 2012 and such information as was available to them in evaluating the adequacy of annual contributions to the reserve fund for major repairs and maintenance. The Board has accepted the recommendations of the study which suggests an annual contribution of \$222,009 in 2015 (2014 - \$213,470); expenditures of \$643,904 (2014 - \$89,760), and an ending balance at December 31, 2015 of \$578,480 (2014 - \$992,559). Actual amounts were \$222,009, (2014 - \$213,468); \$585,075 (2014 - \$299,013) and \$959,119 (2014 - \$1,117,248), respectively.

Any evaluation of the adequacy of the reserve fund is based upon assumptions as to future interest and inflation rates and estimates of the life expectancy of the building components and their replacement costs. These factors are subject to change over time and the changes may be material; accordingly the Act requires that the reserve fund study be updated every three years. On June 1, 2016 an updated reserve fund study was approved by the board of directors.

The board of directors approved a special assessment of \$198,500 for 2015 (2014 - \$Nil).

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6. REMUNERATION OF DIRECTORS, OFFICERS AND MANAGEMENT

No remuneration was paid to directors, officers or management during 2015 or 2014 and they had no interest in any transactions of the Corporation.

7. FINANCIAL INSTRUMENTS

Risks and Concentrations:

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at December 31, 2015.

Liquidity Risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is not exposed to significant liquidity risk.

Credit Risk:

The Corporation is exposed to credit risks on its accounts receivable from owners. This risk is mitigated by the necessity to pay owners' assessment and special levy fees as required by the Condominium Act.

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk.

8. BUDGET INFORMATION

The budgeted amounts presented for comparison purposes are unaudited and are approved by the directors.