

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600

FINANCIAL STATEMENTS

DECEMBER 31, 2018

METROPOLITAN TORONTO CONDOMINIUM CORPORATION NO. 600

FINANCIAL STATEMENTS

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| INDEX | PAGE |
|-------------------------------------------------------|-------------|
| Independent Auditor's Report | 1 - 2 |
| Statement of Financial Position | 3 |
| Statement of General Fund Operations and Fund Balance | 4 |
| Schedule of Expenses | 5 |
| Statement of Equipment Fund | 6 |
| Statement of Reserve Fund | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 - 12 |

INDEPENDENT AUDITOR'S REPORT

To the Owners of
Metropolitan Toronto Condominium Corporation No. 600

Opinion

We have audited the financial statements of Metropolitan Toronto Condominium Corporation No. 600 (the "Corporation"), which comprise the statement of financial position as at December 31, 2018, 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 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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. 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 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.

Auditor's responsibilities for the audit of the financial statements

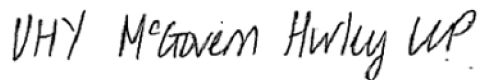
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 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 judgement 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 risks 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.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 6, 2019

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

| | 2018 \$ | 2017 \$ |
|------------------------------------------|------------------|------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 175,587 | 108,590 |
| Accounts receivable | <u>120</u> | <u>-</u> |
| | 175,707 | 108,590 |
| RESERVE CASH (Note 2) | 1,603,663 | 1,476,720 |
| EQUIPMENT (Note 3) | <u>23,940</u> | <u>36,047</u> |
| | <u>1,803,310</u> | <u>1,621,357</u> |
| LIABILITIES AND FUND BALANCES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 73,408 | 60,841 |
| Government remittances payable | <u>1,604</u> | <u>1,437</u> |
| | <u>75,012</u> | <u>62,278</u> |
| FUND BALANCES | | |
| General fund | 214,221 | 172,650 |
| Equipment fund | 23,940 | 36,047 |
| Reserve fund (Note 5) | <u>1,490,137</u> | <u>1,350,382</u> |
| | <u>1,728,298</u> | <u>1,559,079</u> |
| | <u>1,803,310</u> | <u>1,621,357</u> |
| COMMITMENTS (Note 4) | | |

APPROVED ON BEHALF OF THE BOARD:

_____, Director

_____, 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, 2018

Page 4

| | 2018 <u>Budget</u> \$ (Note 8) | 2018 <u>Actual</u> \$ | 2017 <u>Actual</u> \$ |
|--------------------------------------------|-----------------------------------------|-----------------------------|-----------------------------|
| REVENUE | | | |
| Owners' assessments | 694,680 | 694,680 | 688,140 |
| Interest and other income | <u>1,500</u> | <u>1,945</u> | <u>4,678</u> |
| | <u>696,180</u> | <u>696,625</u> | <u>692,818</u> |
| Less: Allocations to reserve fund (Note 5) | 254,557 | 254,557 | 242,435 |
| Allocation to equipment fund | <u>-</u> | <u>-</u> | <u>17,373</u> |
| | <u>254,557</u> | <u>254,557</u> | <u>259,808</u> |
| | <u>441,623</u> | <u>442,068</u> | <u>433,010</u> |
| EXPENSES (see Schedule of Expenses) | | | |
| Utilities and taxes | 217,875 | 179,906 | 180,409 |
| Service and maintenance contracts | 100,650 | 84,206 | 97,390 |
| Administration | 78,048 | 73,913 | 72,580 |
| Repairs and maintenance | <u>45,050</u> | <u>62,472</u> | <u>35,456</u> |
| | <u>441,623</u> | <u>400,497</u> | <u>385,835</u> |
| Excess of revenue over expenses | <u>-</u> | 41,571 | 47,175 |
| FUND BALANCE , beginning of year | | <u>172,650</u> | <u>125,475</u> |
| FUND BALANCE , end of year | | <u>214,221</u> | <u>172,650</u> |

See accompanying notes to the financial statements.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 <u>Budget</u> \$ (Note 8) | 2018 <u>Actual</u> \$ | 2017 <u>Actual</u> \$ |
|------------------------------------------|-----------------------------------------|-----------------------------|-----------------------------|
| UTILITIES AND TAXES | | | |
| Hydro | 85,000 | 60,437 | 64,559 |
| Water and sewer | 50,000 | 47,487 | 45,720 |
| Cable TV | 39,375 | 38,252 | 37,320 |
| Gas | 40,000 | 30,892 | 29,943 |
| Property taxes | 3,000 | 2,838 | 2,867 |
| Fuel | 500 | - | - |
| | <u>217,875</u> | <u>179,906</u> | <u>180,409</u> |
| REPAIRS AND MAINTENANCE | | | |
| General building maintenance - interior | 5,000 | 29,197 | 3,900 |
| Alarm and security systems | 20,000 | 20,795 | 13,925 |
| General building maintenance - exterior | 5,000 | 5,335 | 1,832 |
| Recreational | 2,000 | 3,492 | 2,081 |
| Supplies | 2,950 | 1,549 | 3,367 |
| Plumbing | 5,600 | 1,458 | 10,351 |
| Electrical and mechanical | 3,000 | 646 | - |
| Recreational repair | 1,500 | - | - |
| | <u>45,050</u> | <u>62,472</u> | <u>35,456</u> |
| SERVICE AND MAINTENANCE CONTRACTS | | | |
| HVAC maintenance | 41,000 | 42,255 | 40,442 |
| Insurance | 20,000 | 20,397 | 18,746 |
| Fire safety | 12,000 | 11,461 | 8,603 |
| Cleaning - exterior | 7,000 | 6,467 | 6,780 |
| Cleaning - interior | 6,500 | 4,214 | 7,663 |
| Compactor | 500 | 655 | 1,996 |
| Pest control | 650 | 637 | 559 |
| Grounds | - | 436 | 527 |
| Elevators (recovery) | 13,000 | (2,316) | 12,074 |
| | <u>100,650</u> | <u>84,206</u> | <u>97,390</u> |
| ADMINISTRATION | | | |
| Wages and benefits | 61,628 | 60,228 | 59,993 |
| Office and general | 6,500 | 7,733 | 4,661 |
| Audit fee | 4,520 | 4,520 | 5,240 |
| Interest and bank charges | 1,400 | 803 | 765 |
| Consultants fee | 3,000 | 629 | 1,921 |
| Legal fee | 1,000 | - | - |
| | <u>78,048</u> | <u>73,913</u> | <u>72,580</u> |

See accompanying notes to the financial statements.

STATEMENT OF EQUIPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 <u>Actual</u> \$ | 2017 <u>Actual</u> \$ |
|-------------------------------------------------------------------------|-----------------------------|-----------------------------|
| BALANCE , beginning of year | 36,047 | 30,948 |
| ADD: Allocation from operating fund for purchase of equipment | - | 17,373 |
| DEDUCT: Amortization | <u>12,107</u> | <u>12,274</u> |
| BALANCE , end of year | <u>23,940</u> | <u>36,047</u> |

See accompanying notes to the financial statements.

STATEMENT OF RESERVE FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 <u>Actual</u> \$ | 2017 <u>Actual</u> \$ |
|-----------------------------------------------------|-----------------------------|-----------------------------|
| BALANCE , beginning of year | <u>1,350,382</u> | <u>1,132,390</u> |
| ADD: | | |
| Annual allocation from owners' assessments (Note 5) | 254,557 | 242,435 |
| Interest income | <u>8,905</u> | <u>4,070</u> |
| | <u>263,462</u> | <u>246,505</u> |
| DEDUCT: | | |
| Elevator and mechanical repairs | 61,534 | 4,816 |
| Plumbing repairs | 35,252 | 3,205 |
| Building repairs | 18,656 | - |
| Hallway repairs (recovery) | 6,739 | (12,900) |
| Electrical | 1,526 | 23,323 |
| Exterior repairs | - | 10,029 |
| Bank charges | <u>-</u> | <u>40</u> |
| | <u>123,707</u> | <u>28,513</u> |
| BALANCE , end of year | <u>1,490,137</u> | <u>1,350,382</u> |

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 \$ | 2017 \$ |
|---------------------------------------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Owners' assessments for: | | |
| General operations | 440,003 | 445,924 |
| Reserve fund | 254,557 | 242,435 |
| Interest on reserve fund cash | 8,905 | 4,070 |
| Sundry revenue | 1,945 | 4,678 |
| Operating expenses | (429,508) | (324,049) |
| Reserve fund expenses | <u>(81,962)</u> | <u>(81,319)</u> |
| Change in cash flows from operating activities | <u>193,940</u> | <u>291,739</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchase of equipment | - | (17,373) |
| (Increase) in reserve cash | <u>(126,943)</u> | <u>(215,862)</u> |
| Change in cash flows used in investing activities | <u>(126,943)</u> | <u>(233,235)</u> |
| Increase in cash | 66,997 | 58,504 |
| Cash, beginning of year | <u>108,590</u> | <u>50,086</u> |
| Cash, end of year | <u>175,587</u> | <u>108,590</u> |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2018

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 |

Continued...

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Owners assessments are recognized as revenue in the statement of general fund 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

| | 2018 \$ | 2017 \$ |
|-------------------------------------|------------------|------------------|
| Cash | 623,718 | 505,680 |
| Business Investment Savings Account | <u>979,945</u> | <u>971,040</u> |
| | <u>1,603,663</u> | <u>1,476,720</u> |

The Business Investment Savings Account is with a Canadian Banking institution earning interest at a rate of 1.50% (2017 - 0.55%). Interest is paid monthly.

Continued...

3. EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2018 Net</u> | <u>2017 Net</u> |
|------------------------|---------------|-------------------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Furniture and fixtures | 45,936 | 35,481 | 10,455 | 17,850 |
| Gym equipment | 24,101 | 13,786 | 10,315 | 13,758 |
| Sauna | <u>8,876</u> | <u>5,706</u> | <u>3,170</u> | <u>4,438</u> |
| | <u>78,913</u> | <u>54,973</u> | <u>23,940</u> | <u>36,046</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 approximate the following:

| | |
|------|-------------------|
| 2019 | \$ 101,000 |
| 2020 | 60,400 |
| 2021 | 46,400 |
| 2022 | <u>3,900</u> |
| | <u>\$ 211,700</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 May 31, 2016 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 \$249,731 in 2018 (2017 - \$240,126); expenditures of \$457,048 (2017 - \$853,944), and an ending balance at December 31, 2018 of \$271,368 (2017 - \$477,750). Actual amounts were \$254,557, (2017 - \$242,435); \$123,707 (2017 - \$28,513) and \$1,490,137 (2017 - \$1,350,382), 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 May 31, 2019 an updated reserve fund study was approved by the Board.

Continued...

6. REMUNERATION OF DIRECTORS, OFFICERS AND MANAGEMENT

No remuneration was paid to directors, officers or management during 2018 or 2017 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, 2018.

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.