

Halifax County Condominium Corporation No. 276
Financial Statements
December 31, 2018

Halifax County Condominium Corporation No. 276

Contents

For the year ended December 31, 2018

| | Page |
|--|-------------|
| Independent Auditors' Report | |
| Financial Statements | |
| Statement of Financial Position..... | 1 |
| Statement of Revenues and Expenditures and General Fund..... | 2 |
| Statement of Revenues and Expenditures and Reserve Fund..... | 3 |
| Statement of Revenues and Expenditures and Contingency Fund..... | 3 |
| Statement of Cash Flows..... | 4 |
| Notes to the Financial Statements | 5 |

Independent Auditor's Report



To the Members of Halifax County Condominium Corporation No. 276:

Opinion

We have audited the financial statements of Halifax County Condominium Corporation No. 276 (the "Corporation"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures and general fund, reserve fund, contingency fund and 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 the results of its operations and its 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.

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 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.

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.

Dartmouth, Nova Scotia

May 29, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Halifax County Condominium Corporation No. 276 Statement of Financial Position

As at December 31, 2018

| | General Fund | Reserve Fund | Contingency Fund | 2018 | 2017 |
|--|----------------|--------------|------------------|----------------|----------------|
| Assets | | | | | |
| Current | | | | | |
| Cash | - | 58,433 | 12,362 | 70,795 | 152,899 |
| Accounts receivable | 1,035 | - | - | 1,035 | - |
| Prepaid expenses | 5,440 | - | - | 5,440 | 8,134 |
| Due from Funds (Note 3) | - | - | 85,792 | - | - |
| | 6,475 | 58,433 | 98,154 | 77,270 | 161,033 |
| Superintendent suite (Note 4) | 150,327 | - | - | 150,327 | 156,591 |
| | 156,802 | 58,433 | 98,154 | 227,597 | 317,624 |
| Liabilities | | | | | |
| Current | | | | | |
| Bank overdraft | 2,480 | - | - | 2,480 | - |
| Accounts payable and accrued liabilities | 14,671 | - | - | 14,671 | 14,947 |
| Due to Funds (Note 3) | 52,323 | 33,469 | - | - | - |
| Current portion of long-term debt (Note 5) | 11,496 | - | - | 11,496 | 11,169 |
| | 80,970 | 33,469 | - | 28,647 | 26,116 |
| Long-term debt (Note 5) | 75,832 | - | - | 75,832 | 87,379 |
| | 156,802 | 33,469 | - | 104,479 | 113,495 |
| Members' equity | | | | | |
| Fund balances | - | 24,964 | 98,154 | 123,118 | 204,129 |
| | 156,802 | 58,433 | 98,154 | 227,597 | 317,624 |

Approved on behalf of the Corporation

Director

Director

The accompanying notes are an integral part of these financial statements

Halifax County Condominium Corporation No. 276

Statement of Revenues and Expenditures and General Fund

For the year ended December 31, 2018

| | 2018 <i>Budget</i> | 2018 | 2017 |
|--|-----------------------|-----------------|----------|
| Revenues | | | |
| Condominium fees | 200,996 | 200,996 | 192,549 |
| Guest suite income | 2,000 | 2,340 | 3,210 |
| Parking revenue | 4,000 | 2,875 | 3,425 |
| | 206,996 | 206,211 | 199,184 |
| Expenditures | | | |
| Exterior maintenance | | | |
| Building maintenance | 23,850 | 27,480 | 31,484 |
| Landscaping | 6,500 | 7,482 | 5,935 |
| Site maintenance | 8,800 | 3,255 | 15,903 |
| Snow removal | 8,000 | 8,311 | 7,033 |
| | 47,150 | 46,528 | 60,355 |
| Operations | | | |
| Fuel | 40,000 | 45,474 | 35,453 |
| Power | 13,000 | 10,319 | 11,749 |
| Water | 15,000 | 15,281 | 14,161 |
| | 68,000 | 71,074 | 61,363 |
| Administration | | | |
| Amortization | - | 6,264 | 6,525 |
| Insurance | 9,549 | 9,704 | 8,493 |
| Interest on long-term debt | 13,870 | 2,650 | 2,994 |
| Management fees | 13,910 | 13,910 | 12,751 |
| Office and miscellaneous | 5,653 | 4,517 | 4,964 |
| Professional fees | 2,900 | 3,765 | 2,855 |
| Super's unit | 3,814 | 3,890 | 4,101 |
| Telephone | 2,400 | 2,765 | 1,527 |
| | 52,096 | 47,465 | 44,210 |
| Total expenditures | 167,246 | 165,067 | 165,928 |
| Excess of revenues over expenditures for the year | 39,750 | 41,144 | 33,256 |
| General Fund - beginning of year | | - | 91,049 |
| Transfer to Reserve Fund (Note 3) | | (40,000) | (33,000) |
| Transfer to Contingency Fund (Note 3) | | (1,144) | (91,305) |
| General Fund - end of year | | - | - |

The accompanying notes are an integral part of these financial statements

Halifax County Condominium Corporation No. 276
Statement of Revenues and Expenditures and Reserve Fund
For the year ended December 31, 2018

| | 2018 | 2017 |
|---|------------------|-----------------|
| Revenues | | |
| Interest | 1,116 | 973 |
| Expenditures | | |
| Capital grounds | 3,230 | - |
| Fitness equipment | 4,537 | - |
| Masonry and concrete | 20,535 | - |
| Repairs and maintenance | - | 9,043 |
| Roof replacement | 1,274 | - |
| Siding and painting | 72,834 | 5,231 |
| Windows and doors | 20,861 | - |
| Total expenditures | 123,271 | 14,274 |
| Deficiency of revenue over expenditures for the year | (122,155) | (13,301) |
| Reserve Fund - beginning of year | 107,119 | 87,420 |
| Transfer from General Fund (Note 3) | 40,000 | 33,000 |
| Reserve Fund - end of year | 24,964 | 107,119 |

Statement of Revenues and Expenditures and Contingency Fund
For the year ended December 31, 2018

| | 2018 | 2017 |
|---|---------------|---------------|
| Contingency Fund - beginning of year | 97,010 | 5,705 |
| Transfer from General Fund (Note 3) | 1,144 | 91,305 |
| Contingency Fund - end of year | 98,154 | 97,010 |

The accompanying notes are an integral part of these financial statements

Halifax County Condominium Corporation No. 276

Statement of Cash Flows

For the year ended December 31, 2018

| | 2018 | 2017 |
|---|-----------------|----------------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| (Deficiency) excess of revenues over expenditures | (81,011) | 19,955 |
| Amortization | 6,264 | 6,525 |
| | (74,747) | 26,480 |
| Changes in working capital accounts | | |
| Accounts receivable | (1,035) | 430 |
| Prepaid expenses | 2,694 | 1,801 |
| Accounts payable and accrued liabilities | (276) | (9,504) |
| | (73,364) | 19,207 |
| Financing | | |
| Repayment of long-term debt | (11,220) | (10,877) |
| Increase (decrease) in cash resources | (84,584) | 8,330 |
| Cash resources, beginning of year | 152,899 | 144,569 |
| Cash resources, end of year | 68,315 | 152,899 |
| Cash resources are composed of: | | |
| Cash | 70,795 | 152,899 |
| Bank overdraft | (2,480) | - |
| | 68,315 | 152,899 |

The accompanying notes are an integral part of these financial statements

Halifax County Condominium Corporation No. 276

Notes to the Financial Statements

For the year ended December 31, 2018

1. Incorporation and nature of the organization

Halifax County Condominium Corporation No. 276 (the "Corporation") was incorporated under the authority of the Nova Scotia Condominium Act, and thus is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act ("the Act").

The Corporation's purpose is to administer the common areas of the development registered as Halifax County Condominium Corporation No. 276, known as Falcon Ridge in Bedford, Nova Scotia.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Fund accounting

The Corporation follows the restricted fund method of accounting for contributions, and maintains three funds: General Fund, Reserve Fund and Contingency Fund.

General Fund

The General Fund reports the Corporation's accounts for current operations.

Reserve Fund

Under the provision of Article 9 of the By-laws of the Corporation, the Board is required to maintain a reserve fund. The Reserve Fund is for major maintenance, repairs or replacements made necessary by damage, deterioration or obsolescence. See note 6 for the recommended (not required) annual allocations to the Reserve Fund.

Contingency Fund

Article X of the By-laws to establish a contingency fund for common expenses to be used from time to time toward meeting the deficits and such other common purposes as the corporation may deem necessary. The initial funding has been carried out in accordance with the By-laws by obtaining from each purchaser, at the time of purchase, an amount equal to three times the monthly assessment relating to such purchaser's unit.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, including bank overdrafts that fluctuate from being positive to overdrawn, and short-term investments with maturities of three months or less.

Superintendent suite

The condominium unit is recorded at cost and amortization is provided for using the declining balance method at an annual rate of 4%.

Revenue recognition

Restricted contributions related to the Reserve Fund are recognized as revenue in the year in which the related expenses are incurred and interest is recorded over the life of the investment. Interest earned is recognized as revenue of the Reserve Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Condominium fees, parking fees and rental income are recognized as revenue of the Operating Fund.

Halifax County Condominium Corporation No. 276

Notes to the Financial Statements

For the year ended December 31, 2018

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, useful lives of suites and certain accrued liabilities. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenditures in the periods in which they become known.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, except for certain non-arm's length transactions which are measured at the exchange amount.

The Corporation subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenditures for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. The Corporation groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenues over expenditures.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenditures in the year the reversal occurs.

3. Interfund transfers

During the year, the Board budgeted for the transfer of \$40,000 from the General Fund to the Reserve Fund. The actual surplus for the year in the General Fund was \$41,144 of which \$40,000 was transferred to the Reserve Fund and \$1,144 was transferred to the Contingency Fund.

The balances due between funds are non-interest bearing with no set terms of repayment.

4. Superintendent suite

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|------------------|-------------|-------------------------------------|------------------------------------|------------------------------------|
| Condominium unit | 208,386 | 58,059 | 150,327 | 156,591 |

Halifax County Condominium Corporation No. 276
Notes to the Financial Statements
For the year ended December 31, 2018

5. Long-term debt

| | 2018 | 2017 |
|---|-----------------|-------------|
| 2.89% Bank of Montreal mortgage, payable in monthly instalments of \$1,156 including principal and interest, matures in April 2022. The mortgage is secured by a condominium unit with a net book value of \$150,327. | 87,328 | 98,548 |
| Less: Current portion | (11,496) | (11,169) |
| | 75,832 | 87,379 |

The approximate principal due within the next four years is as follows:

| | Scheduled Repayments | Due for Renegotiation | |
|------|---------------------------------|----------------------------------|--|
| 2019 | 11,496 | - | |
| 2020 | 11,833 | - | |
| 2021 | 12,180 | - | |
| 2022 | 4,139 | 47,680 | |

6. Reserve fund study

During 2014, the corporation engaged BRK Engineering Inc. to complete a reserve fund study. Per Table #2: Expenditures and Cash Flow of the reserve fund study, the recommended amounts to be paid annually into the Reserve Fund over the next 21 years are as follows:

| | \$ | | \$ |
|------|---------|------|---------|
| 2019 | 50,000 | 2030 | 105,000 |
| 2020 | 55,000 | 2031 | 110,000 |
| 2021 | 60,000 | 2032 | 115,000 |
| 2022 | 65,000 | 2033 | 120,000 |
| 2023 | 70,000 | 2034 | 125,000 |
| 2024 | 75,000 | 2035 | 130,000 |
| 2025 | 80,000 | 2036 | 130,000 |
| 2026 | 85,000 | 2037 | 130,000 |
| 2027 | 90,000 | 2038 | 130,000 |
| 2028 | 95,000 | 2039 | 130,000 |
| 2029 | 100,000 | | |

The cash balance in the Reserve Fund at the end of 2018 was \$24,964. The Corporation has a Manulife interest bearing account where the reserve funds are held.

7. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to its cash and accounts receivable. The Corporation is exposed to concentration risk on its cash in that all of its cash is held with one financial institution. To minimize the credit risk the Corporation places cash with a high quality financial institution of Canada. The Corporation provides credit to its members in the normal course of its operations.

Halifax County Condominium Corporation No. 276
Notes to the Financial Statements
For the year ended December 31, 2018

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 exposed to interest rate risk on its fixed rate financial instruments. Fixed-rate instruments subject the Corporation to a fair value risk.

Liquidity risk

Liquidity risk is the risk that a Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its bank overdraft, accounts payable and accrued liabilities and long-term debt.