

**Yellowknife Condominium Corporation No. 8**

**Financial Statements**

**August 31, 2011**

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## Yellowknife Condominium Corporation No. 8

### Financial Statements

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**CHARTERED  
ACCOUNTANTS**

**MacKay LLP  
Independent Auditors' Report**

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**To the Board of  
Yellowknife Condominium Corporation No. 8**

We have audited the accompanying financial statements of Yellowknife Condominium Corporation No. 8, which comprise the statement of financial position as at August 31, 2011, and statement of operations and fund balance - general fund, the statement of operations and fund balance - replacement 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 generally accepted accounting principles, 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.

*Auditors' 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 auditors' 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 auditors consider internal control relevant to the Corporation'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 Corporation'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 Yellowknife Condominium Corporation No. 8 as at August 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Emphasis of Matter*

We draw attention to note 8 to the financial statements which describes the uncertainty related to the cost and financing of the replacement of water and sewer infrastructure lines of Yellowknife Condominium Corporation No.8. Our opinion is not qualified in respect of this matter.

Yellowknife, Northwest Territories  
December 28, 2011

*MacKay LLP*

Chartered Accountants

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## Yellowknife Condominium Corporation No. 8

### Statement of Operations and Fund Balance - General Fund

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For the year ended August 31,	2011	2011	2010
	Budget (unaudited)	Actual	Actual
<b>Revenue</b>			
Condominium fees	\$ 660,480	\$ 556,092	\$ 463,001
Other income	6,300	7,199	45,086
	<b>666,780</b>	<b>563,291</b>	508,087
<b>Expenses</b>			
<b>Operating</b>			
Amortization	400	345	417
Insurance	3,900	3,044	3,027
Property taxes	2,200	2,097	2,126
Repairs and maintenance			
Regular park maintenance/checks	60,000	44,363	43,669
Grounds work	25,000	4,279	6,184
Road work	24,000	19,240	36,386
Water work	86,000	240,681	122,809
Sewer work	86,000	85,931	27,047
Repair supplies	6,000	18,008	16,159
Fuel	1,000	-	-
Pumphouse/liftstation	1,000	1,433	1,617
Storage Compound work/access	1,000	341	4,537
Other	10,000	478	1,610
Storage fees	600	693	583
Utilities	60,000	61,154	41,585
	<b>367,100</b>	<b>482,087</b>	307,756
<b>Administrative</b>			
Bad debts	6,000	24,726	1,333
Bank charges and interest	15,000	12,624	10,483
Bookkeeping	56,000	57,207	52,776
Collections service fees	15,000	9,806	12,046
Management fees	42,000	37,800	37,800
Office	3,900	4,998	5,073
Professional fees - audit	12,000	11,411	11,433
Professional fees - legal	20,000	8,350	32,766
	<b>169,900</b>	<b>166,922</b>	163,710
	<b>537,000</b>	<b>649,009</b>	471,466
<b>Excess (deficiency) of revenue over expenses \$</b>	<b>129,780</b>	<b>(85,718)</b>	36,621
<b>General Fund, beginning of year</b>		<b>(45,201)</b>	(82,239)
<b>Investment in equipment</b>		<b>345</b>	417
<b>General Fund, end of year</b>		<b>\$ (130,574)</b>	<b>\$ (45,201)</b>

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## Yellowknife Condominium Corporation No. 8

### Statement of Operations and Fund Balance - Replacement Reserve Fund

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For the year ended August 31,	2011	2011	2010
	Budget (unaudited)	Actual	Actual
<b>Revenue</b>			
Condominium fees	\$ -	\$ 61,788	\$ 51,445
Investment income	-	2,517	1,675
<b>Excess of revenue over expenses</b>	-	<b>64,305</b>	53,120
<b>Replacement Reserve Fund, beginning of year</b>	<b>451,249</b>	<b>451,249</b>	398,129
<b>Replacement Reserve Fund, end of year</b>	<b>\$ 451,249</b>	<b>\$ 515,554</b>	\$ 451,249

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## Yellowknife Condominium Corporation No. 8

### Statement of Financial Position

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As at August 31, 2011 2010

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<b>Assets</b>	<b>General Fund</b>	<b>Replacement Reserve Fund</b>	<b>Total</b>	<b>Total</b>
<b>Current</b>				
Cash	\$ 26,700	\$ -	\$ 26,700	\$ 40,527
Due from General Fund	-	165,961	165,961	106,776
Accounts receivable	28,678	-	28,678	36,012
Prepaid expenses	10,464	-	10,464	11,915
	65,842	165,961	<b>231,803</b>	195,230
<b>Restricted funds (Note 4)</b>	-	349,593	<b>349,593</b>	344,473
<b>Equipment (Note 5)</b>	924	-	<b>924</b>	1,269
	\$ 66,766	\$ 515,554	<b>\$ 582,320</b>	\$ 540,972

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### Liabilities

#### Current

Accounts payable and accrued liabilities	\$ 23,898	\$ -	\$ 23,898	\$ 20,750
Deferred revenue	6,557	-	6,557	6,129
Due to Replacement Reserve Fund	165,961	-	165,961	106,776
	196,416	-	<b>196,416</b>	133,655

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### Net Assets

<b>General Fund</b>	(130,574)	-	<b>(130,574)</b>	(45,201)
<b>Investment in Equipment (Note 6)</b>	924	-	<b>924</b>	1,269
<b>Replacement Reserve Fund (Note 7)</b>	-	515,554	<b>515,554</b>	451,249
	(129,650)	515,554	<b>385,904</b>	407,317
	\$ 66,766	\$ 515,554	<b>\$ 582,320</b>	\$ 540,972

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### Future operations (Note 8)

#### Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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## Yellowknife Condominium Corporation No.8

### Statement of Cash Flows

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For the year ended August 31,	2011	2010
<b>Operating activities</b>		
Cash receipts from members	\$ 608,115	\$ 534,876
Cash paid to suppliers	(619,339)	(484,285)
Cash from investment income	2,517	1,675
	(8,707)	52,266
<b>Investing activity</b>		
Investment in restricted funds	(5,120)	(46,676)
<b>Increase (decrease) in cash</b>	<b>(13,827)</b>	5,590
<b>Cash, beginning of year</b>	<b>40,527</b>	34,937
<b>Cash, end of year</b>	<b>\$ 26,700</b>	<b>\$ 40,527</b>

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# Yellowknife Condominium Corporation No. 8

## Notes to Financial Statements

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August 31, 2011

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### 1. Nature of operations

Yellowknife Condominium Corporation No. 8 ("the Corporation") is a non-profit organization incorporated under the laws of the Northwest Territories. The Corporation was formed for the operation and management of the 258 unit condominiums registered as Yellowknife Condominium Corporation No. 8 commonly known as Northland Mobile Home Park.

The financial statements include only the assets, liabilities, revenues and expenses relating to the operations of the Corporation. The statements do not include the cost of land or building and the outstanding principal balances owing on mortgages which are the responsibility of the owners.

Under Section 149(1)(e) of the *Income Tax Act* for Canada, the Corporation qualifies as a not-for-profit entity and is exempt from income tax. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

### 2. Accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

#### a) Equipment

Equipment is recorded at cost. Equipment amortization is calculated by the declining balance basis at the annual rate described in Note 5.

#### (b) Deferred revenue

Deferred revenue consists of condominium fees paid in advance of the fees being earned. The fees will be brought into income as they are earned.

#### (c) Fund accounting

The Corporation follows the restricted fund method of accounting for contributions from members.

The General Fund accounts for the Corporation's operating and administrative activities.

The Replacement Reserve Fund is restricted for the purpose of major repairs and maintenance expenses. At the direction of the Board, expenditures are charged to the fund in the period of acquisition or outlay.

#### (d) Revenue recognition

Condominium fees are recognized monthly and are calculated using the board-approved condominium fee and the number of condominiums. 10% of the fees are allocated to the replacement reserve fund. Other income, which is made up of legal fees provided and storage fees are recognized as the service is provided.

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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August 31, 2011

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#### 2. Accounting policies (continued)

##### (e) Financial instruments - recognition and measurement

Section 3855 requires that all financial assets and financial liabilities be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are subsequently measured at fair value and unrealized gains and losses are included in excess (deficiency) of revenue over expenses in the period in which they arise. The Corporation has classified cash and restricted funds as held for trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in net assets until realized, at which time they will be recognized in excess (deficiency) of revenue over expenses. The Corporation does not classify any financial instruments as available for sale.

Held to maturity assets are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has an intention and ability to hold until maturity, excluding those assets that have been classified as held-for-trading, available-for-sale, or loans and receivables. They are subsequently measured at amortized cost using the effective interest method. The Corporation does not classify any financial instruments as held to maturity.

Financial instruments classified as loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. These assets do not include debt securities or assets classified as held-for-trading. They are subsequently measured at amortized cost using the effective interest method. The Corporation has classified accounts receivable as loans and receivables.

All other financial liabilities that are not classified as held-for-trading are subsequently measured at cost or amortized cost.

##### (f) Financial instruments - disclosure and presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective dated generally are not reversed and therefore, the comparative figures have not been restated

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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August 31, 2011

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#### 2. Accounting policies (continued)

##### (g) Investment income

The Corporation recognizes interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available for sale financial instruments are recorded in net assets and recognized in excess (deficiency) of revenue over expenses when realized.

Transaction costs related to the acquisition of all financial assets and liabilities are expensed as incurred. Direct investment expenses, such as external custodial and management fees, are recorded as expenses for the period.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the statement of operations and fund balance.

##### (h) Donated services

The Corporation receives volunteer services from members, which are not reflected in the financial statements. These services are to operate and maintain the common condominium areas, units and corporate responsibilities.

##### (i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 amounts of revenues and expenses during the period. Actual results could differ from those estimates.

##### (j) Allocation of expenditures

The Corporation allocates expenditures according to their function, and are classified as either general fund, investment in equipment or replacement reserve fund expenditures. Common costs including general and administrative expenses that are common to the administration of the Corporation are classified as administrative expenses and are included in the general fund.

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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August 31, 2011

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#### 3. Future changes to significant accounting policies

The following accounting development, not yet effective and therefore not yet implemented, may have an impact on the Corporation's financial statements in future years.

##### Non Government NFPO Standards

In October 2010 the CICA Accounting Standards Board approved a new framework of accounting standards for non-profit organizations ("NFPO's"). The new framework, which is based on existing Canadian generally accepted accounting principles and will become Part III of the CICA Handbook, incorporates Section 4400 of Part V of the Handbook and is to be adopted by NFPO's in the private sector effective January 1, 2012. Alternatively, such NFPO's may adopt international financial reporting standards ("IFRS"), for fiscal years beginning on or after January 1, 2011.

#### 4. Restricted funds

Investments are held for the Replacement Reserve Fund (market value approximately \$349,593, 2010 - \$344,473). The investment consists of guaranteed investment certificate which are carried at cost plus accrued interest with a maturity date of October 14, 2012. In addition, \$165,961 has been lent to the General Fund.

#### 5. Equipment

	Rate	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Debit machine	20%	\$ 1,250	\$ 710	\$ 540	\$ 720
1990 Bobcat	30%	16,050	15,666	384	549
		\$ 17,300	\$ 16,376	\$ 924	\$ 1,269

#### 6. Investment in equipment

	2011	2010
Balance, beginning of year	\$ 1,269	\$ 1,686
Amortization	(345)	(417)
Balance, end of year	\$ 924	\$ 1,269

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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#### 7. Replacement Reserve Fund

The Replacement Reserve Fund is internally restricted for major repairs and maintenance expenses. At the direction of the Corporation, expenses are charged to the Replacement Reserve Fund in the period of acquisition or outlay. Revenue for the Replacement Reserve Fund is paid by unit owners as a part of the condo fees at a rate of 10% per month. At year-end the Replacement Reserve Fund had funds withdrawn in general operations.

A Replacement Reserve study to determine the amount of the funds required and the annual amounts required to be put into the fund has not been done.

#### 8. Future operations

The Corporation has determined that it may be liable in the near future for the replacement of the main water and sewer line for the mobile home park. Discussions are underway as to the extent of the liability but no reasonable estimate has been determined to date.

The Corporation has approached the local and territorial governments for funding for the water and sewer line replacement but no final decisions have been made yet. It is still an on going process between the Corporation and the governments.

Since the amount of the costs, if any, which may have to be paid by the Corporation as a result of the water and sewer replacement cannot be reasonably estimated, no provision has been made in the accounts. Should a cost be incurred, it will be expensed as it is incurred, and revenue will need to be received from condominium owners.

#### 9. Related parties

The Corporation is related to the unit owners who pay condominium fees. The majority of the accounts receivable are due from unit owners.

Accounting Plus Ltd. is related to the Corporation through the provision of management services.

	2011	2010
Bookkeeping expense	\$ 57,207	\$ 52,776
Prepaid expenses	\$ 7,500	\$ 9,540
Accounts payable	\$ 4,000	\$ 4,000

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These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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August 31, 2011

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#### 10. Commitments

The Corporation has entered into an agreement with Accounting Plus Ltd. for the provision of accounting services ending August 2013 at the cost of \$3,750 per month. The Corporation has entered into an agreement with Mr. Maintenance for the the Park Manager position ending December 2011 at a cost of \$3,150 per month and for general maintenance services ending December 2011 at a cost of \$60 per hour.

#### 11. Supplemental cash flow information

	2011	2010
Interest paid	\$ 12,624	\$ 10,483
Interest received	\$ 6,036	\$ 6,769

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#### 12. Financial Instruments

The following sections describe the Corporation's financial risk management objectives and policies and the Corporation's financial risk exposures.

##### Financial risk management objectives and policies

The Corporation does not have any formal financial risk management objectives and policies.

##### (a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from its owners.

##### (b) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate from its restricted funds which are held in Guaranteed Investment Certificates (GICs). The Corporation manages its exposure to interest rate through the use of redeemable GICs which can be withdrawn without penalty.

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## Yellowknife Condominium Corporation No. 8

### Notes to Financial Statements

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#### 13. Capital disclosures

The Corporation manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation monitors capital on the basis of the working capital calculation. The calculation of current assets minus current liabilities is calculated as follows:

	2011	2010
Current Assets	\$ 231,803	\$ 195,230
Current Liabilities	(196,416)	(133,655)
	<b>\$ 35,387</b>	<b>\$ 61,575</b>

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