



October 21, 2011

Unit Owners  
Condominium Corporation No. 9841139  
317 14<sup>th</sup> Avenue SW  
Calgary, Alberta T2R 0M4

Dear Unit Owner:

Re: Darlington Arms – 2011 Audited Financial Statements

Further to our correspondence and Notice of Meeting dated October 19, 2011 regarding the 2011 Annual General Meeting, we are enclosing a copy of the audited financial statements for the fiscal year ending June 30, 2011 for Darlington Arms.

If you are unable to attend the meeting in person, we are enclosing a copy of the Proxy Form by way of a reminder to execute and assign it to someone who will attend the meeting and vote on your behalf.

Your Board looks forward to seeing you at the meeting.

Yours truly,  
Gateway Property Management

A handwritten signature in black ink, appearing to read 'Lori Pinter', is written over the printed name.

Lori Pinter  
Condominium Property Manager  
On Behalf of the Board of Directors

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Unit 360, 4311-12 Street NE, Calgary, Alberta T2E 4P9  
Phone: 403-283-7118 Fax: 403-283-7181  
[www.gatewaypm.com](http://www.gatewaypm.com)

\*Gateway West Management Corporation dba

**Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

**Audited Financial Statements**

**June 30, 2011**

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## **INDEPENDENT AUDITOR'S REPORT**

**To Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

I have audited the accompanying financial statements of Condominium Corporation No. 9811439 (operating as Darlington Arms) which comprise the statement of financial position as at June 30, 2011 and the statement of operating fund operations and change in operating fund balance and the statement of capital replacement reserve fund operations and change in capital replacement reserve fund balance 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

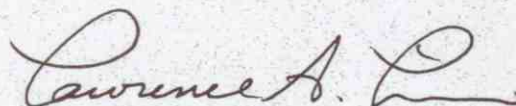
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the condominium 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 condominium corporation's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Condominium Corporation No. 9811439 (operating as Darlington Arms) as at June 30, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

October 18, 2011  
Calgary, Alberta

A handwritten signature in black ink, appearing to read "Lawrence A. Lim". The signature is written in a cursive style with a large initial "L".

Condominium Corporation No. 9811439  
 (operating as Darlington Arms)

Statement of Financial Position

	June 30			2010
	Operating Fund	Reserve Fund	Total	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash (note 3)	\$ 44,183	\$210,378	\$254,561	\$188,211
Accounts receivable	4	-	4	631
Prepaid expenses	-	-	-	4,851
	<u>44,187</u>	<u>210,378</u>	<u>254,565</u>	<u>193,693</u>
<b>Liabilities</b>				
Accounts payable	8,651	-	8,651	15,831
Deposits payable and unearned revenue	<u>6,464</u>	<u>-</u>	<u>6,464</u>	<u>5,638</u>
	<u>15,115</u>	<u>-</u>	<u>15,115</u>	<u>21,469</u>
<b>Net Assets</b>	<u>\$ 29,072</u>	<u>\$210,378</u>	<u>\$239,450</u>	<u>\$172,224</u>

See notes to financial statements

Approved by the Board:

\_\_\_\_\_ Director

*[Handwritten Signature]*

- for *Gerald Rotering*  
 Director  
 (Board Chair)



**Condominium Corporation No. 9811439**  
**(operating as Darlington Arms)**

**Statement of Operating Fund Operations and Change in Operating Fund Balance**

	Budget <u>2011</u> (unaudited)	Year ended June 30 <u>2011</u> <u>2010</u>	
<b>Revenue</b>			
Condominium fees	\$ 172,020	\$ 172,008	\$ 172,019
Allocation to replacement reserve (note 4)	( 41,736)	( 41,736)	( 47,736)
Other income	<u>-</u>	<u>737</u>	<u>701</u>
	<u>130,284</u>	131,009	124,984
<b>Expenses</b>			
Utilities	56,910	45,317	58,819
Repairs and maintenance	34,190	22,952	31,159
Management fees	8,820	8,820	8,820
Janitorial	9,600	8,214	9,209
Insurance	9,500	7,201	8,743
Professional fees	3,024	3,673	4,061
Office	3,800	3,406	3,707
Landscaping and snow removal	<u>4,440</u>	<u>2,503</u>	<u>3,203</u>
	<u>130,284</u>	<u>102,086</u>	<u>127,721</u>
<b>Excess of revenues over expenses</b>		28,923	( 2,737)
Operating fund at beginning of year		<u>149</u>	<u>2,886</u>
<b>Operating fund at end of year</b>		<u>\$ 29,072</u>	<u>\$ 149</u>

See notes to financial statements

Condominium Corporation No. 9811439  
(operating as Darlington Arms)

Statement of Capital Replacement Reserve Fund Operations and  
Change in Capital Replacement Reserve Fund Balance

	Year ended June 30	
	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Allocation from operating fund	\$ 41,736	\$ 47,736
Other income	<u>1,078</u>	<u>260</u>
	42,814	47,996
<b>Expenses</b>		
Carpet replacement	3,330	-
Replace recirculation line	1,181	4,537
Install new security equipment	-	4,179
Replace exhaust fans	<u>-</u>	<u>2,730</u>
	<u>4,511</u>	<u>11,446</u>
<b>Excess of revenues over expenses</b>	38,303	36,550
Capital replacement reserve fund at beginning of year	<u>172,075</u>	<u>135,525</u>
<b>Capital replacement reserve fund at end of year</b>	<u>\$ 210,378</u>	<u>\$ 172,075</u>

See notes to financial statements

**Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

**Notes to Financial Statements**

**June 30, 2011**

**Note 1 - Incorporation**

The corporation is constituted under the provisions of the Condominium Property Act of Alberta.

The purpose of the corporation is to manage and maintain the common property (as defined in the corporation's by-laws) and to provide common services for the benefit of the owners of the residential units comprising the condominium complex known as Darlington Arms located in Calgary, Alberta.

The corporation acts as the legal nominee of the unit owners with respect to ownership and usage of the common property that is shared by the unit owners as tenants-in-common.

**Note 2 - Summary of Significant Accounting Policies**

**(a) Common Property**

These financial statements include only those assets, liabilities, revenues and expenses relating to the operations of Condominium Corporation No. 9811439. The common property comprised in the condominium plan is owned proportionately by individual unit owners and consequently it is not reflected as an asset in these financial statements.

**(b) Fund Accounting**

The condominium follows the restricted fund method of accounting for contributions. The operating fund accounts for the condominium's operating and administrative activities. The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for estimated future costs of major repairs and replacements.

**(c) Revenue and Expense Recognition**

Revenues primarily comprise of assessments for the cost of common services provided to owners and are charged in monthly installments on the basis of an approved annual budget. Revenue and expenses are recorded on the accrual basis whereby they are reflected in the accounts in the period in which they are earned or incurred respectively, whether or not such transactions have been settled by the receipt or payment of money.

**(d) Reserve for Major Repairs and Replacements**

The corporation, in compliance with the Condominium Property Act of Alberta, has established a reserve for financing future major repairs and replacements of common property. The contributions to finance major repairs and replacements are determined annually by the Board. Only major repairs and replacements are charged to the reserve. Minor repairs and equipment purchases are charged to operations in the year they are incurred.

**Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

**Notes to Financial Statements - continued**

**June 30, 2011**

**Note 2 - Summary of Significant Accounting Policies - continued**

**(e) Contributed Services**

Volunteers contribute many hours each year to assist the corporation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**(f) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(g) Financial Instruments**

The condominium corporation has adopted the Canadian accounting standard section 3855, Financial Instruments - Recognition and Measurement. Prior periods have not been restated.

The standard on financial instruments prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost based measures under different circumstances. Financial instruments must be classified into one of these five categories: held-for-trading; held-to-maturity, loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments are reported on the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading assets are measured at fair value with changes in fair value recorded in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded directly to net assets (equity).

Under adoption of these standards, the condominium corporation designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and deposits payable are classified as other financial liabilities, which are measured at amortized cost.

**Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

**Notes to Financial Statements - continued**

**June 30, 2011**

**Note 2 - Summary of Significant Accounting Policies - continued**

The condominium corporation's financial instruments consist of cash, accounts receivable, accounts payable and deposits payable. Unless otherwise indicated, it is management's opinion the condominium corporation is not exposed to significant interest or credit risks arising from these financial instruments.

**Note 3 - Cash**

Cash is held in trust accounts registered in the name of the managing agent. Restrictions have been placed on the use of funds available to the corporation by the Board of Directors. Restricted assets consist of cash in the amount of \$210,378 (2010 - \$172,075) which has been designated by the Board as a reserve for future repairs and replacement of common property.

**Note 4 - Reserve for Major Repairs and Replacements**

During the year, cash in the amount of \$41,736 (2010 - \$47,736) was designated by the Board as a reserve for future repairs and replacement of common property. There were costs incurred totalling \$4,511 (2010 - \$11,446) which have been designated by the Board as expenditures for major repairs or replacement of common property.

**Note 5 - Commitments and Contingencies**

**(a) Contractual Commitments**

The corporation has engaged the services of a managing agent to provide property management and accounting services for an annual fee of \$8,400, plus applicable taxes.

**Condominium Corporation No. 9811439  
(operating as Darlington Arms)**

**Notes to Financial Statements - continued**

**June 30, 2011**

**Note 5 - Commitments and Contingencies - continued**

**(b) Adequacy of Reserve for Major Repairs and Replacements**

The Board has utilized such information as was available to it in evaluating the adequacy of the reserve and has levied such annual assessment as it considers to be fair and prudent. The corporation has commissioned the preparation of an engineered reserve fund study (dated February 2007) respecting estimation of the replacement cost and remaining life expectancy of specific components which comprise the common property. Based on the estimates contained in the study, the balance in the reserve fund as at June 30, 2011 should be \$343,333. Readers are advised to obtain a copy of the reserve fund study and the Board's reserve fund plan for further details.

The Board reports that in June of 2007, it adopted a Reserve Fund Plan that laid out extensive building system improvements accomplished in recent years and increased monthly contributions to the Reserve Fund as of July 1, 2007. Today, the Board remains confident that the current growing Reserve Fund balance is appropriate for the building's capital needs.

**Note 6 - Income Taxes**

The condominium corporation is considered to be a nonprofit organization under paragraph 149(1) (1) of the Income Tax Act. Accordingly, no provision for income taxes has been made in these financial statements.

**Note 7 - Statement of Cash Flow**

A statement of changes in cash flow has not been presented in these financial statements as the information enclosed thereon is evident from these financial statements.

**Note 8 - Budget Figures**

The budget figures have been included for comparison purposes only and are unaudited.