

**The Owners: Condominium Plan No. 9811439  
(operating as Darlington Arms)**

**Audited Financial Statements**

**June 30, 2004**

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**LAWRENCE A. LIM**  
**Chartered Accountant**

Suite 210, 701 - 14th Street N.W.  
Calgary, Alberta T2N 2A4

Tel: (403) 270-7550

Fax: (403) 670-7280

Email: larry.lim@connorhindlim.com

## AUDITOR'S REPORT

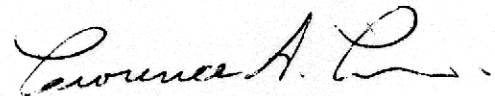
**To the Owners: Condominium Plan No. 9811439**  
**(operating as Darlington Arms)**

I have audited the balance sheet of The Owners: Condominium Plan No. 9811439 (operating as Darlington Arms) as at June 30, 2004 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the condominium corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In my opinion these financial statements present fairly, in all material respects, the financial position of the condominium corporation as at June 30, 2004 and the results of operations and the changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

September 14, 2004



**The Owners: Condominium Plan No. 9811439  
(operating as Darlington Arms)**

**Balance Sheet**

	June 30 2004			2003
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash (note 3)	\$26,266	\$64,444	\$90,710	\$55,165
Accounts receivable	2,054	-	2,054	3,820
Due from operating fund	-	461	461	-
Prepaid expenses	<u>498</u>	<u>-</u>	<u>498</u>	<u>-</u>
	28,818	64,905	93,723	58,985
<b>Liabilities</b>				
Accounts payable	7,566	-	7,566	6,496
Security deposits payable	4,100	-	4,100	3,400
Due to reserve fund	<u>461</u>	<u>-</u>	<u>461</u>	<u>-</u>
	<u>12,127</u>	<u>-</u>	<u>12,127</u>	<u>9,896</u>
<b>Net Assets</b>	<u>\$16,691</u>	<u>\$64,905</u>	<u>\$81,596</u>	<u>\$49,089</u>

See notes to financial statements

Approved by the Board:

Gerald Sterling Director and Chair '03-'04.

Eric Rose Director and Treasurer '03-'04.

**The Owners: Condominium Plan No. 9811439  
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**Statement of Operating Fund Operations and Change in Operating Fund Balance**

	Year ended June 30	
	<u>2004</u>	<u>2003</u>
<b>Revenue</b>		
Condominium fees	\$ 137,217	\$ 119,434
Special assessment	-	900
Allocation to replacement reserve (note 4)	( 27,478)	( 23,040)
Other income	<u>2,076</u>	<u>1,876</u>
	111,815	99,170
<b>Expenses</b>		
Utilities	38,685	38,128
Repairs and maintenance	31,672	31,597
Janitorial	9,000	8,501
Management fees	7,961	7,533
Insurance and claim costs	4,728	3,487
Snow and waste removal	4,450	3,771
Office	3,230	2,980
Professional fees	<u>2,359</u>	<u>1,552</u>
	<u>102,085</u>	<u>97,549</u>
<b>Excess (deficiency) of revenues over expenses</b>	9,730	1,621
Operating fund at beginning of year	<u>6,961</u>	<u>5,340</u>
<b>Operating fund at end of year</b>	<u>\$ 16,691</u>	<u>\$ 6,961</u>

See notes to financial statements

**The Owners: Condominium Plan No. 9811439  
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**Statement of Capital Replacement Reserve Fund Operations and  
Change in Capital Replacement Reserve Fund Balance**

	Year ended June 30	
	<u>2004</u>	<u>2003</u>
<b>Revenue</b>		
Allocation from operating fund	\$ 27,478	\$ 23,040
Other income	<u>5,339</u>	<u>1,145</u>
	32,817	24,185
<b>Expenses</b>		
Window and balcony repairs	10,040	-
Purchase and installation of two new boilers	-	26,007
Upgrade elevator doors	-	11,259
Purchase and installation of new access system	-	6,560
Purchase and installation of new bladder tank	<u>-</u>	<u>3,172</u>
	<u>10,040</u>	<u>46,998</u>
<b>Excess (deficiency) of revenues over expenses</b>	22,777	( 22,813)
Capital replacement reserve fund at beginning of year	<u>42,128</u>	<u>64,941</u>
<b>Capital replacement reserve fund at end of year</b>	<u>\$ 64,905</u>	<u>\$ 42,128</u>

See notes to financial statements

**The Owners: Condominium Plan No. 9811439  
(operating as Darlington Arms)**

**Notes to Financial Statements**

**June 30, 2004**

**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 Plan 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 its by-laws, 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.

**The Owners: Condominium Plan No. 9811439  
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**Notes to Financial Statements - continued**

**June 30, 2004**

**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's financial instruments consist of cash, accounts receivable and accounts 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. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**Note 3 - Cash**

Cash is held in a trust account 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 \$64,444 (2003 - \$42,128) 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 \$27,428 (2003 - \$23,040) was designated as a reserve for future repairs and replacement of common property. There was \$10,040 (2003 - \$46,998) designated as expenditures for major repairs or replacement of common property.

**The Owners: Condominium Plan No. 9811439  
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**Notes to Financial Statements - continued**

**June 30, 2004**

**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 \$7,960.

**(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 respecting estimation of the replacement cost and remaining life expectancy of specific components which comprise the common property. In the Board's opinion, the reserve is adequately funded. Work done ahead of the study's schedule plus contributions that will be made during the balance of the calendar year put the corporation \$28,000 ahead of the cash on hand needs at this date, the Board reports. Adjustments to the reserve fund work plan and financial projection are to be made on its fifth anniversary in 2007.

**Note 6 - Income Taxes**

The condominium corporation is considered to be a nonprofit organization under paragraph 149(1) (l) 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.