

THE 123'S OF CONDO BOARD FINANCIALS -

Putting the Pieces of the
Financial Puzzle Together

Helping Board of Directors understand the pieces of the puzzle they are provided by Larlyn Property Management Ltd to ensure they are **using fees collected from owners the best way possible for the corporation** and it is **prepared appropriately for the future.**



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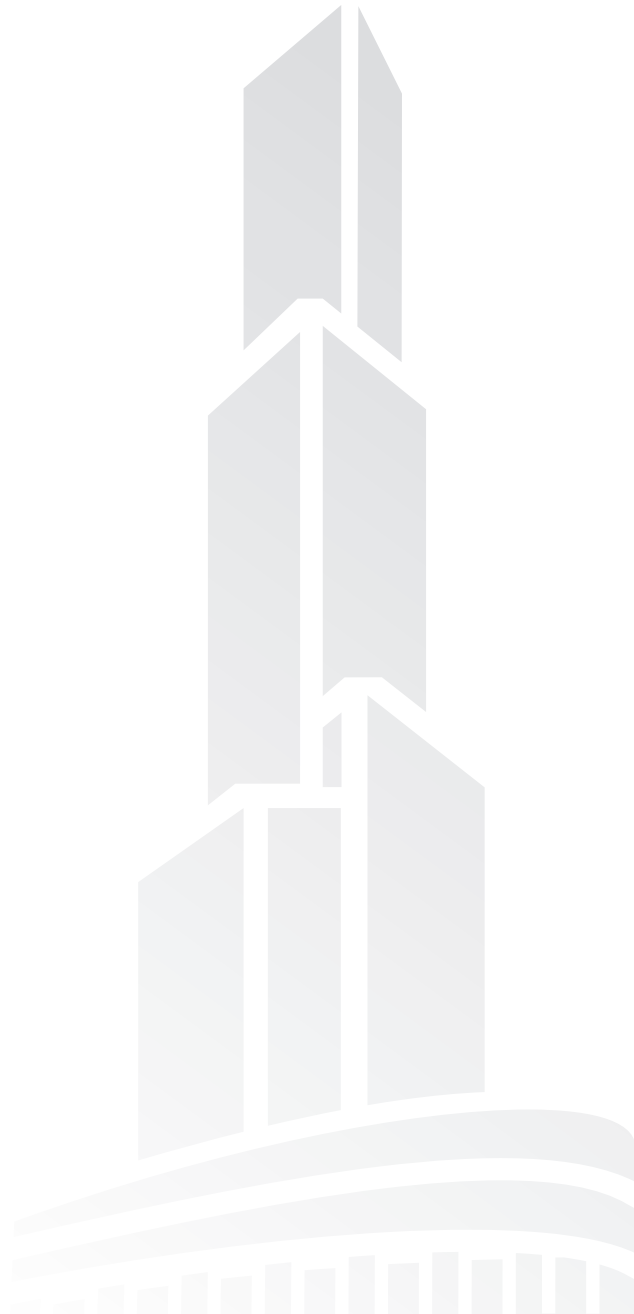
OVERVIEW

What Can You Expect To Learn?



CONDO FINANCIAL STATEMENTS

- Why do you need financial statements?
- What is included in a typical financial statement package?
 - Balance Sheet
 - 12 Month Income Statement
 - Budget Comparison
 - Additional Working Papers and Reconciliations
 - General Ledger
 - Notes to the Financial Statements
- What do the tools in my package tell me?





CONDO CORPORATION BUDGETS

- Why do you need a budget?
- What is included in a typical budget?
 - Standard Operating Expenses
 - Reserve Contribution
 - Surplus Required
 - Supplementary Sources of Income
 - Condo Fees
- The Anatomy of the Budget
- Who Does What?
- What is a Special Assessment?
- The Big Decision: Condo Fees – To Increase or Not



CONDO RESERVE FUND

- What are funds used for?
- How much should be kept in savings?
- Implications / Consequences of your decisions as a Board Member



CONDO FINANCIAL STATEMENTS

WHY DO YOU NEED FINANCIAL STATEMENTS?

They are a recurring report of the financial health of the Condominium Corporation used by a variety of stakeholders.

OWNERS:

- A record of stewardship used by owners to evaluate directors' performance
- Understand the financial performance of their corporation

BOARD OF DIRECTORS:

- Decision making tool to ensure they are using fees collected by owners the best way possible
- Assist in making sure the Condominium Corporation is prepared appropriately for the future.

THIRD PARTIES:

- Provide status information for managers, potential purchasers, real estate lawyers, reserve fund study consultants, trade creditors, mortgagees, commercial lending institutions and government agencies.

WHAT IS INCLUDED IN A TYPICAL FINANCIAL PACKAGE?

Requirements as per Appendix 1, Section 17 of the Alberta Condo Act:	Requirements as per Section 66 (2) of the Ontario Condo Act:	Package Components provided monthly to the Board of Directors:
Financial Records of all assets, liabilities and equity	Balance Sheet	Balance Sheet
Statements relating to the income and expenditures	Statement of General Operations	12 Month Income Statement
Statements relating to all money of the corporation	Statement of Changes in Financial Position	Budget Comparison
Statement setting out the amount of the capital replacement reserve fund (Section 44)	Statement of Reserve Fund Operations	Collection of Working Papers and Reconciliations: <ul style="list-style-type: none"> • Reserve Fund Summary • Accrued Liabilities • Due To/From Reserve Fund and Operating Accounts • Bank Reconciliation • Aged Payables Summary • Aged Accounts Receivable
	Prescribed information relating to the reserve fund study and the operation of the reserve fund	
	Indication of the aggregate remuneration paid to the directors in that capacity and the aggregate remuneration paid to the officers in that capacity	
Other information as the board may determine or as may be directed by a resolution passed at a general meeting	Additional statements or information that the regulations made under this Act require	General Ledger
		Notes to the Financial Statements

Packages are provided monthly to the Board of Directors by a specific date as outlined in the Condo Corporation's management agreement.

Larlyn takes pride in making these tools available 24/7 through DirectorConnections.com

NOTE: The types of tools included in each package vary by the Condo Corporation's unique needs and depend on what was outlined in the management agreement.



BALANCE SHEET

Represents a “snapshot” of the financial position of your condominium at a specific point in time (for example, As at December 31st)

Broken out into three major components:

- Assets
- Liabilities
- Equity

ASSETS - LIABILITIES = EQUITY

It is called a “BALANCE SHEET” because when Assets = Liabilities + Equity, you are “balanced”

ABC Condo Corp		Page 1
Balance Sheet		
Month, 2014		
Books = Accrual		Month, 2014
ASSETS		
CASH		
Petty Cash Fund		150.00
Operating Cash Account		141,724.44
Improvement Fund Cash		63,824.13
Reserve Cash Account		1,040,822.51
TOTAL CASH		1,246,521.08
Accounts Receivable		456.23
Due from Operating to Reserve		6,568.82
TOTAL CURRENT ASSETS		1,253,546.13
TOTAL ASSETS		1,253,546.13
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		10,920.87
Accrued Monthly Expenses		34,965.47
Prepaid Revenues		8,754.09
Due to Reserve from Operating		6,568.82
TOTAL CURRENT LIABILITIES		61,209.25
TOTAL LIABILITIES		61,209.25
CAPITAL		
IMPROVEMENT FUND		
Beginning Funds		63,824.13
TOTAL IMPROVEMENT FUND		63,824.13
SURPLUS (DEFICIT)		
Beginning Surplus (Deficit)		81,949.43
Current Surplus (Deficit)		-828.01
TOTAL SURPLUS (DEFICIT)		81,121.42
NET RESERVES YTD		
Beginning Reserves		852,079.69
Reserve Contributions Current Year		321,926.00
Reserve Bank Charges		-207.00
Total Reserve Expenses (see schedule)		-136,512.94
Reserve Interest Earned		10,105.58
NET RESERVES YTD		1,047,391.33
TOTAL CAPITAL		1,192,336.88
TOTAL LIABILITIES & CAPITAL		1,253,546.13

ASSETS

Positive, valuable items which include:

- **Petty Cash** - cash kept on hand and used to make small payments
- **Operating Cash Account** – funds available for the day to day operations
- **Reserve Cash Account** – funds available to pay for expenses designated as Reserve Expenses
- **Investments – Reserve** – accumulated reserve funds that have been invested for an agreed amount of time (not readily available for use)
- **Accrued Interest** – interest earned to date on above
- **Prepaid Expenses** – expenses paid in advance, the benefits of which will be consumed in the near term (example: insurance)
- **Accounts Receivable** – amounts owing to the condo corporation as of reporting date but not yet received
- **Miscellaneous Accounts Receivable / Sundry Receivables** – items earned but cash not yet received (example: laundry income)
- **Due from Operating** – funds due to the reserve from the operating account but as of reporting date not yet transferred

LIABILITIES

Negative things owed which include things such as:

- **Accounts Payable** – invoices received for operating expenses but as of reporting date not yet paid
- **Accrued Expenses** – expenses that have been incurred for the reporting period but no invoices have been received as of reporting date and are unpaid (example: purchase order issued, goods/services received, invoice not received to be entered as a payable or paid)
- **Prepaid Condominium Fees** – condominium fees paid to the Corporation in advance of their due date.
- **Due to Reserve** – funds due to the reserve from the operating account but as of reporting date have not been transferred

EQUITY CAPITAL

Operating Surplus (Deficit)

- **Operating Surplus (assets exceed liabilities)** It is important to remember that this does NOT represent excess cash available. The surplus can be comprised of assets other than cash.
- **Operating Deficit (liabilities exceed assets)**
The corporation is not in a strong financial position and owes more than it can take in. The Board of Directors should seriously consider authorizing a special assessment or increasing maintenance fees to strengthen the Corporation's financial position and not deplete reserves.
- **Beginning Surplus (Deficit)** – operating surplus or deficit since the inception of the condominium up to and including the previous year-end (often referred to as Retained Earnings)

- **Current Surplus (Deficit)** – year to date operating results. This amount equals the Net Income under the Year to Date Actual column on the Budget Comparison Statement

Reserve Fund

- The funds available as of reporting date to meet the requirements in accordance with the Reserve Fund Study.
- **Beginning Reserves** – balance of the Reserve Fund as of the previous year end.
- **Reserve Contributions** – funds transferred from the operating account to the reserve account during the current year per the current year budget.
- **Reserve Interest** – interest earned on the funds held in the reserve bank account(s) and investments for the current year.

60,302	61,654	52,727	47,185	54,415
15,876	6,000	-	-	8,959
1,498	884,077	1,270	1,148	969
1,000		2,334	3,887	3,648
14	813	87	838,799	808,304
			5	16
532	9,515		9,288	-
426	901,757	876	853,127	821,896
728	963,411	92	900,312	876,311
		86	12,113	10,388
24,095	11,691	5,129	6,548	5,074
39,763		22,503	23,315	6,264
		38,018	41,976	21,726
57,497	52,435	51,694	45,523	49,071

12 MONTH INCOME STATEMENT

(Statement of Income & Expenses)

Presents actual operating income and expense activity by month across a rolling 12 month period.

**NET PROFIT (LOSS) =
OPERATING INCOME – OPERATING
EXPENSES – FINANCIAL EXPENSES**

shown on Balance Sheet as the Current Surplus (Deficit)

ABC Condominium Corp

12 Month Income Statement
For The Period Ending March 2014
Books = Accrual

Page 1

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Total
REVENUE													
CONDO REVENUES													
Condominium Fees	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903		922,928
TOTAL CONDO REVENUES	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903	83,903		922,928
OTHER INCOME													
Entry Card Income											50		50
Fobs Income		107	50				50						207
Interest Income	231	243	236	257	235	230	246	240	249	241	213		2,622
Meeting/Party/Club Income		50						50	50	25			175
TOTAL OTHER INCOME	231	400	286	257	235	230	296	290	299	266	263		3,054
FUND ACTIVITY													
TOTAL REVENUE BEFORE EXPENSES	84,133	84,302	84,189	84,159	84,138	84,133	84,198	84,193	84,202	84,169	84,166		925,982
OPERATING EXPENSES													
CONTRACT													
Cleaning - Contract	4,932	4,932	4,932	5,057	5,057	5,057	5,057	5,057	5,057	5,325	5,057		55,520
Concierge - Contract	14,486	15,347	12,718	14,907	13,122	13,795	14,154	13,065	18,048	9,716	14,087		153,446
Elevator - Contract	1,418	1,418	1,418	1,418	1,418	1,458	1,458	1,458	1,458	1,458	1,458		15,835
HVAC - Contract	456	456	456	456	456	456	-456	1,369	456	456	456		5,021
Landscaping - Contract	2,514	2,514	2,514	2,514	2,514	2,514							15,086
Snow Removal - Contract							2,514	2,514	2,514	2,514	2,514		12,571
Pest Control - Contract				173		173			173				518
Water Management Contract	339	339	339	339	339	339	339	339	339	339	339		3,729
TOTAL CONTRACTS	24,146	25,007	22,378	24,864	22,907	23,791	23,065	23,802	28,044	19,809	23,911		261,725
GROUPS MAINTENANCE													
Landscaping improvement &	-13,138	497	4,063	1,851		16,047		565		-12,544	13,138		10,479
Landscaping Sprinkler/Irrigation				111	1,000		2,051		1,013				4,176

Thursday, May 1, 2014

12 MONTH INCOME STATEMENT

(Statement of Income & Expenses)

ABC Condominium Corp

12 Month Income Statement
For The Period Ending March 2014
Books = Accrual

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	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Total
Snow Removal Extras											689		689
TOTAL GROUND MAINTENANCE	-13,138	497	4,063	1,962	1,000	16,047	2,051	565	1,013	-12,544	13,827		15,344
GENERAL MAINTENANCE													
Carpet Cleaning				1,104		220		158					1,483
Fire Protection - Non Contract	136	599	3,923	867	136	140	620	1,689	679	136	1,215		10,137
Garage Repairs								2,192			-2,192		
Garage Cleaning											2,192		2,192
Garage Door R & M	120	114	96				410			73	139		952
General Supplies	266		310			479	32		104	81	103		1,375
Lobby Flowers			193	186		542	186	712			435		2,255
Mat Rentals	466		151	302	151	151	579	665	244	-151	272		2,830
Pest Control Extras		254		198									452
Plumbing R&M	254	2,123	1,309		289	4,414	333	-862	1,476				9,337
Repairs and Maintenance	655	2,916	4,777	1,391	5,569	939	1,289	-286	4,257	2,781	9,220		33,508
Window Cleaning			4,627										4,627
TOTAL GENERAL	1,897	6,006	15,386	4,048	6,145	6,884	3,451	4,269	6,759	2,921	11,384		69,149
MECHANICAL													
Elevator - R & M		678		202		512				220			1,613
Elevator - Licence											120		120
HVAC R & M				863				486					1,349
TOTAL MECHANICAL		678		1,065		512		486		220	120		3,081
AMENITIES & RECREATION													
Exercise Room								136					136
Pool Expenses		90		23				877	2,040	1,097	2,415		6,543
Pool Emergency - Alarm				268									268
TOTAL AMENITIES &		90		290				1,013	2,040	1,097	2,415		6,947
WAGES													

Thursday, May 1, 2014

12 MONTH INCOME STATEMENT

(Statement of Income & Expenses)

ABC Condominium Corp

12 Month Income Statement

For The Period Ending March 2014
Books = Accrual

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	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Total
Site Salaries	572	572	572	572	572	572	572	572	572	572	572		6,297
TOTAL WAGES	572	572	572	572	572	572	572	572	572	572	572		6,297
RESOURCES													
Gas	3,695	-1,005	1,144	1,313	1,200	2,647	1,762	8,009	9,510	11,633	6,878		46,786
Electricity/Power/Hydro	9,177	9,941	8,988	12,160	8,770	9,041	8,108	10,432	12,575	11,151	11,626		111,968
Water & Sewer	1,380	3,179	2,568	2,986	2,783	2,186	1,167	1,676	1,414	1,691	1,461		22,491
TOTAL RESOURCES	14,252	12,115	12,701	16,458	12,753	13,874	11,036	20,117	23,499	24,475	19,965		181,245
ADMINISTRATIVE EXPENSES													
Administrative Expense	489	195	474	38	702	933	897	176	305	563	129		4,901
Bank Charges	61	35	36	36	35	34	34	35	39	40	40		425
Insurance	2,060	2,060	2,060	2,060	2,060	2,060	2,060	2,060	2,060	2,060	2,057		22,656
Office Supplies						16				147			162
Office Telephone	455	244	739	156	386	574	225	400	421	416	437		4,453
Social Events				101			207	947					1,256
TOTAL ADMINISTRATION	3,065	2,534	3,310	2,390	3,184	3,616	3,423	3,618	2,825	3,225	2,663		33,853
PROFESSIONAL SERVICES													
Financial Audit Fees	217	217	217	217	217	217	409	217	217	217	217		2,574
Management Fees	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243		24,668
TOTAL PROFESSIONAL	2,459	2,459	2,459	2,459	2,459	2,459	2,651	2,459	2,459	2,459	2,459		27,243
FINANCIAL EXPENSES													
Reserve Allocation	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266		321,926
TOTAL FINANCIAL EXPENSES	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266	29,266		321,926
TOTAL OPERATING EXPENSES	62,520	79,225	90,135	83,376	78,286	97,023	75,515	86,167	96,479	71,501	106,583		926,810
NET PROFIT (LOSS)	21,614	5,077	-5,946	783	5,852	-12,891	8,683	-1,974	-12,277	12,668	-22,417		-828

Thursday, May 1, 2014

BUDGET COMPARISON

(Statement of Income & Expenses)

Presents actual operating income and expense activity compared to the budgeted amount and the resulting variance. Both Month-to-Date and Year-To-Date comparisons are provided along with the total annual budget amounts for reference.

ABC Condominium Corp															
Budget Comparison															
March 2014															
						YTD		YTD		Annual					
MTD	MTD	Variance			Actual	Budget	Variance		Budget						
Actual	Budget														
REVENUE															
CONDO REVENUES															
\$	(83,902.55)	\$	(83,902.50)	\$	0.05	4010-0000	Condominium Fees	\$	(922,928.05)	\$	(922,927.50)	\$	0.55	\$	(1,006,830.05)
\$	(83,902.55)	\$	(83,902.50)	\$	0.05		TOTAL CONDO REVENUES	\$	(922,928.05)	\$	(922,927.50)	\$	0.55	\$	(1,006,830.05)
OTHER INCOME															
\$	(50.00)	\$	-	\$	50.00	4620-0000	Entry Card Income	\$	(50.00)	\$	-	\$	50.00	\$	-
\$	-	\$	-	\$	-	4630-0000	Fobs Income	\$	(207.00)	\$	-	\$	207.00	\$	-
\$	(213.38)	\$	-	\$	213.38	4680-0000	Interest Income	\$	(2,622.26)	\$	-	\$	2,622.26	\$	-
\$	-	\$	-	\$	-	4710-0000	Meeting/Party/Club Income	\$	(175.00)	\$	-	\$	175.00	\$	-
\$	(283.38)	\$	-	\$	283.38		TOTAL OTHER INCOME	\$	(3,054.28)	\$	-	\$	3,054.28	\$	-
FUND ACTIVITY															
\$	(84,165.93)	\$	(83,902.50)	\$	263.43		TOTAL REVENUE BEFORE EXPENSES	\$	(925,982.31)	\$	(922,927.50)	\$	3,054.81	\$	(1,006,830.05)
OPERATING EXPENSES															
CONTRACT															
\$	5,056.75	\$	5,032.42	\$	(24.33)	6015-0000	Cleaning - Contract	\$	55,519.92	\$	55,356.62	\$	(163.30)	\$	60,389.00
\$	14,087.11	\$	14,041.67	\$	(45.44)	6020-0000	Concierge - Contract	\$	153,446.23	\$	154,458.37	\$	1,012.14	\$	168,500.00
\$	1,457.59	\$	1,448.17	\$	(9.42)	6025-0000	Elevator - Contract	\$	15,835.14	\$	15,929.87	\$	94.73	\$	17,378.00
\$	456.42	\$	456.42	\$	-	6035-0000	HVAC - Contract	\$	5,020.70	\$	5,020.62	\$	(0.08)	\$	5,477.00
\$	-	\$	-	\$	-	6040-0000	Landscaping - Contract	\$	15,085.50	\$	15,085.74	\$	0.24	\$	17,600.03
\$	2,514.25	\$	2,514.20	\$	(0.05)	6050-0000	Snow Removal - Contract	\$	12,571.25	\$	12,571.00	\$	(0.25)	\$	12,571.00
\$	-	\$	55.25	\$	55.25	6060-0000	Pest Control - Contract	\$	517.53	\$	607.75	\$	90.22	\$	683.00
\$	339.00	\$	300.00	\$	(39.00)	6075-0010	Water Management Contract	\$	3,729.00	\$	3,300.00	\$	(429.00)	\$	3,600.00

BUDGET COMPARISON

(Statement of Income & Expenses)

ABC Condominium Corp
Budget Comparison
March 2014

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	MTD Actual	MTD Budget	Variance		YTD Actual	YTD Budget	Variance	Annual Budget
	\$ 23,911.12	\$ 23,848.13	\$(62.99)		\$ 261,725.27	\$ 262,329.97	\$ 604.70	\$ 288,178.03
				TOTAL CONTRACTS				
				GROUNDS MAINTENANCE				
\$	13,137.64	\$ -	\$(13,137.64)	6100-0000 Landscaping Improvement & Repairs	\$ 10,478.99	\$ 4,500.00	\$(5,978.99)	\$ 4,500.00
\$	-	\$ -	\$ -	6105-0000 Landscaping Sprinkler/Irrigation	\$ 4,175.60	\$ 2,769.62	\$(1,405.98)	\$ 2,769.62
\$	689.30	\$ -	\$(689.30)	6130-0000 Snow Removal Extras	\$ 689.30	\$ 500.00	\$(189.30)	\$ 500.00
\$	13,826.94	\$ -	\$(13,826.94)	TOTAL GROUND MAINTENANCE	\$ 15,343.89	\$ 7,769.62	\$(7,574.27)	\$ 7,769.62
				GENERAL MAINTENANCE				
\$	-	\$ -	\$ -	6175-0000 Carpet Cleaning	\$ 1,482.79	\$ -	\$(1,482.79)	\$ -
\$	1,214.74	\$ 458.33	\$(756.41)	6225-0000 Fire Protection - Non Contract	\$ 10,137.44	\$ 5,041.63	\$(5,095.81)	\$ 5,500.00
\$	(2,192.20)	\$ -	\$ 2,192.20	6235-0000 Garage Repairs	\$ -	\$ 750.00	\$ 750.00	\$ 1,000.00
\$	2,192.20	\$ -	\$(2,192.20)	6235-0010 Garage Cleaning	\$ 2,192.20	\$ 3,252.00	\$ 1,059.80	\$ 3,252.00
\$	138.99	\$ -	\$(138.99)	6240-0000 Garage Door R & M	\$ 952.31	\$ 937.50	\$(14.81)	\$ 1,250.00
\$	102.78	\$ 375.00	\$ 272.22	6260-0000 General Supplies	\$ 1,374.57	\$ 4,125.00	\$ 2,750.43	\$ 4,500.00
\$	435.05	\$ 208.33	\$(226.72)	6280-0000 Lobby Flowers	\$ 2,255.48	\$ 2,291.63	\$ 36.15	\$ 2,500.00
\$	271.83	\$ 187.08	\$(84.75)	6285-0000 Mat Rentals	\$ 2,830.35	\$ 2,057.88	\$(772.47)	\$ 2,245.00
\$	-	\$ -	\$ -	6305-0000 Pest Control Extras	\$ 452.00	\$ 150.00	\$(302.00)	\$ 200.00
\$	-	\$ 652.08	\$ 652.08	6310-0000 Plumbing R&M	\$ 9,336.97	\$ 7,172.88	\$(2,164.09)	\$ 7,825.00
\$	9,220.47	\$ 2,333.33	\$(6,887.14)	6320-0000 Repairs and Maintenance	\$ 33,507.74	\$ 25,666.63	\$(7,841.11)	\$ 28,000.00
\$	-	\$ -	\$ -	6360-0000 Window Cleaning	\$ 4,627.35	\$ 4,600.00	\$(27.35)	\$ 4,600.00
\$	11,383.86	\$ 4,214.15	\$(7,169.71)	TOTAL GENERAL MAINTENANCE	\$ 69,149.20	\$ 56,045.15	\$(13,104.05)	\$ 60,872.00
				MECHANICAL				
\$	-	\$ -	\$ -	6385-0000 Elevator - R & M	\$ 1,612.78	\$ 500.00	\$(1,112.78)	\$ 500.00

BUDGET COMPARISON

(Statement of Income & Expenses)

ABC Condominium Corp

Budget Comparison

March 2014

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	MTD Actual	MTD Budget	Variance		YTD Actual	YTD Budget	Variance	Annual Budget
\$	120.00	\$ -	(120.00)	6405-0000 Elevator - Licence	\$ 120.00	\$ 495.00	\$ 375.00	\$ 495.00
\$	-	\$ 1,083.33	\$ 1,083.33	6410-0000 HVAC R & M	\$ 1,348.56	\$ 11,916.63	\$ 10,568.07	\$ 13,000.00
\$	120.00	\$ 1,083.33	\$ 963.33	TOTAL MECHANICAL	\$ 3,081.34	\$ 12,911.63	\$ 9,830.29	\$ 13,995.00
				AMENITIES & RECREATION				
\$	-	\$ -	\$ -	6445-0000 Exercise Room	\$ 135.60	\$ -	\$ (135.60)	\$ -
\$	2,415.49	\$ 271.83	(2,143.66)	6465-0000 Pool Expenses	\$ 6,543.18	\$ 2,990.13	(3,553.05)	\$ 3,262.00
\$	-	\$ 119.92	\$ 119.92	6480-0000 Pool Emergency - Alarm Monitoring	\$ 287.81	\$ 1,319.12	\$ 1,051.31	\$ 1,439.00
\$	2,415.49	\$ 391.75	(2,023.74)	TOTAL AMENITIES & RECREATION	\$ 6,946.59	\$ 4,309.25	(2,637.34)	\$ 4,701.00
				WAGES				
\$	572.49	\$ 572.50	\$ 0.01	6605-0000 Site Salaries	\$ 6,297.39	\$ 6,297.50	\$ 0.11	\$ 6,870.00
\$	572.49	\$ 572.50	\$ 0.01	TOTAL WAGES	\$ 6,297.39	\$ 6,297.50	\$ 0.11	\$ 6,870.00
				RESOURCES				
\$	6,877.96	\$ 6,500.00	(377.96)	6655-0000 Gas	\$ 46,786.07	\$ 37,677.00	(9,109.07)	\$ 40,877.00
\$	11,625.77	\$ 12,281.00	\$ 655.23	6690-0000 Electricity/Power/Hydro	\$ 111,967.86	\$ 112,281.00	\$ 313.14	\$ 125,281.00
\$	1,461.14	\$ 2,900.00	\$ 1,438.86	6745-0000 Water & Sewer	\$ 22,490.76	\$ 41,697.00	\$ 19,206.24	\$ 44,660.00
\$	19,964.87	\$ 21,681.00	\$ 1,716.13	TOTAL RESOURCES	\$ 181,244.69	\$ 191,655.00	\$ 10,410.31	\$ 210,818.00
				ADMINISTRATIVE EXPENSES				
\$	128.51	\$ 250.00	\$ 121.49	7020-0000 Administrative Expense	\$ 4,901.26	\$ 2,750.00	(2,151.26)	\$ 3,000.00
\$	40.44	\$ 35.00	(5.44)	7100-0000 Bank Charges	\$ 425.40	\$ 385.00	(40.40)	\$ 420.00
\$	2,056.90	\$ 2,025.33	(31.57)	7260-0000 Insurance	\$ 22,655.90	\$ 22,278.63	(377.27)	\$ 24,304.00
\$	-	\$ -	\$ -	7380-0000 Office Supplies	\$ 162.35	\$ -	(162.35)	\$ -

BUDGET COMPARISON

(Statement of Income & Expenses)

ABC Condominium Corp										Page 3					
Budget Comparison															
March 2014															
	MTD		MTD	Variance			YTD	YTD	Variance	Annual					
	Actual		Budget				Actual	Budget		Budget					
\$	437.15	\$	450.00	\$	12.85	7385-0000	Office Telephone	\$	4,452.73	\$	4,950.00	\$	497.27	\$	5,400.00
\$	-	\$	-	\$	-	7480-0000	Social Events	\$	1,255.55	\$	1,300.00	\$	44.45	\$	1,300.00
\$	2,663.00	\$	2,760.33	\$	97.33	-	TOTAL ADMINISTRATION	\$	33,863.19	\$	31,663.63	\$	(2,199.56)	\$	34,424.00
							PROFESSIONAL SERVICES								
\$	216.58	\$	216.58	\$	-	7760-0000	Financial Audit Fees	\$	2,574.38	\$	2,382.38	\$	(192.00)	\$	2,599.00
\$	-	\$	-	\$	-	7780-0000	Legal Fees	\$	-	\$	500.00	\$	500.00	\$	500.00
\$	2,242.58	\$	2,242.58	\$	-	7800-0000	Management Fees	\$	24,668.38	\$	24,668.38	\$	-	\$	26,911.00
\$	2,459.16	\$	2,459.16	\$	-	-	TOTAL PROFESSIONAL SERVICES	\$	27,242.76	\$	27,550.76	\$	308.00	\$	30,010.00
							FINANCIAL EXPENSES								
\$	29,266.00	\$	29,266.00	\$	-	8050-0000	Reserve Allocation	\$	321,926.00	\$	321,926.00	\$	-	\$	351,192.00
\$	29,266.00	\$	29,266.00	\$	-	-	TOTAL FINANCIAL EXPENSES	\$	321,926.00	\$	321,926.00	\$	-	\$	351,192.00
\$	106,582.93	\$	86,276.35	\$	(20,306.58)	-	TOTAL OPERATING EXPENSES	\$	926,810.32	\$	922,458.51	\$	(4,351.81)	\$	1,006,829.65
\$	22,417.00	\$	2,373.85	\$	(20,043.15)	-	NET PROFIT (LOSS)	\$	828.01	\$	(468.99)	\$	(1,297.00)	\$	(0.40)

OPERATING INCOME (FUND ACTIVITY)

- **Condominium Revenues** – condominium fees assessed to the owners of the units based on the unit factor based on current year budget.
- **Other Income** – additional sundry income such as fees collected for keys, fobs, cards, laundry income, social club dues, interest on operating funds, NSF fees etc.

OPERATING EXPENSES

- **Contract Expenses** – Cleaning, Building, Mechanical, Plumbing, Grounds
- **Grounds Maintenance** – Landscaping improvements and snow removal in addition to contract
- **General Maintenance** – Cleaning, Repairs and improvements in addition to contract
- **Mechanical** – Elevator, heating and other mechanical expenses in addition to contract
- **Amenities & Recreation** – Exercise room, pool expenses, etc.
- **Wages** – Site salaries if corporation has its own staff exclusive to the condominium which equal gross salary

less deduction expenses (CPP, EI, etc) and cost of any group benefits if applicable

- **Resources** – Utilities including Heating, Electricity, Water and Sewer, etc.
- **Administration & Professional** – Insurance, Management Fees, Professional Fees (audit, legal), bank charges, photocopying, telephone, office supplies, etc.

FINANCIAL EXPENSES (RESERVE ALLOCATION)



ADDITIONAL TOOLS - Collection of Working Papers and Reconciliations

A collection of working papers and reconciliations are provided in addition to the Balance Sheet and Income Statements to further explain numbers presented in those reports.

- Reserve Fund Summary
- Accrued Liabilities
- Due To/From Reserve and Operating Accounts
- Bank Reconciliations

- Aged Payables Summary
- Aged Accounts Receivable
- This list is only a sample of what may be included. Each corporations requirements are different and final package contains documents outlined in the management agreement.

Typically include copies of various Bank Statements as well. This includes details of all cheques cut for expenses.



DID YOU KNOW?

At least two signatures are required on all condo corporation cheques. Usually one is the from the management company and another one or two designated Board Members with signing authority. In some cases the property management company does not have signing authority and both signatures come from the Board of Directors.

RESERVE FUND SUMMARY

Statement of Income and Expenses for the current reporting period and Year to Date of the Reserve Fund.

More details about **Reserve Funds and Reserve Fund Studies** are presented later in this guide.

ABC Condominium Corp
Reserve Fund Summary
 March 31, 2014

		Balance Current Period	Beginning Balance	Net Change
RESERVE FUND SCHEDULE				
3520-0000	Beginning Reserves	852,079.69	852,079.69	0.00
3540-0000	Reserve Contributions Current Year	321,926.00	292,660.00	29,266.00
3750-0000	Reserve Interest Earned	10,105.58	9,203.57	902.01
3660-0000	Reserve Bank Charges	-207.00	-184.00	-23.00
TOTAL		1,183,904.27	1,153,759.26	30,145.01
RESERVE FUND EXPENDITURES				
3680-0030	Balconies	4,090.60	0.00	4,090.60
3680-0110	Caulking	1,356.00	1,356.00	0.00
3680-0130	Common Area Furniture and Equip	15,132.56	15,132.56	0.00
3680-0190	Curbs \ Sidewalks\ Patios	2,858.90	2,858.90	0.00
3680-0210	Domestic Hot Water	8,838.52	8,838.52	0.00
3680-0230	Doors	983.10	983.10	0.00
3680-0310	Entry Systems	19,542.01	19,542.01	0.00
3680-0352	Fitness Equipment	1,990.72	1,990.72	0.00
3680-0450	Garage Door	4,045.40	4,045.40	0.00
3680-0510	HVAC Systems	3,996.47	3,996.47	0.00
3680-0530	Landscape Equipment	0.00	6,568.82	-6,568.82
3680-0550	Lighting	1,514.20	1,514.20	0.00
3680-0630	Office Furniture and Equipment	319.23	319.23	0.00
3680-0650	Other Improvements	1,553.75	1,553.75	0.00
3680-0670	Painting - Common	678.00	678.00	0.00
3680-0710	Plumbing Fixtures and Equipment	45,749.85	44,393.85	1,356.00
3680-0720	Pool	17,834.23	17,834.23	0.00
3680-0770	Roadway \ Driveways \ Asphalt	5,435.02	5,435.02	0.00
3680-0850	Windows	594.38	594.38	0.00
TOTAL RESERVE FUND EXPENDITURES		-136,512.94	-137,635.16	1,122.22
RESERVE FUND BALANCE		1,047,391.33	1,016,124.10	31,267.23
RESERVE FUND CASH SUMMARY				
1055-0000	Reserve Cash Account	1,040,822.51	1,027,669.32	13,153.19
1375-0000	Due from Operating to Reserve	6,568.82	0.00	6,568.82
2450-0000	Due to Operating from Reserve	0.00	-11,545.22	11,545.22
RESERVE FUND CASH BALANCE		1,047,391.33	1,016,124.10	31,267.23

ACCRUED LIABILITIES

Expenses that the corporation has incurred but has not yet paid.

These do not represent payments that are past due as quite often the invoice has not yet arrived.

ABC Condominium Corp											
DETAILS OF ACCRUED LIABILITIES											
for the Month of March 31, 2014											
G/L Account Number	Account Name	Dollar Amount	Billing Period		Number of Days	Period to Accrue		Number of Days to Accrue	Amount to Accrue		
6655	Gas	7,376.36	27-Feb-14	to	28-Mar-14	30	27-Feb-14	to	31-Mar-14	33	8,114.00
			(above posted in April)								
6690	Hydro	1,187.25	5-Feb-14	to	4-Mar-14	28	5-Mar-14	to	31-Mar-14	27	1,144.85
	Hydro	9,733.62	5-Feb-14	to	5-Mar-14	29	6-Mar-14	to	31-Mar-14	26	8,726.69
6745	Water	1,479.87	5-Feb-14	to	5-Mar-14	29	5-Mar-14	to	31-Mar-14	27	1,366.67
6020	Concierge	6,174.41	16-Feb-14	to	1-Mar-14	14	2-Mar-14	to	31-Mar-14	30	13,230.88
			(Est invoice as last invoice included stat holiday)								
7760	Audit Fees		M. Grail		2013/14 @ \$216.58/mth						2,382.38
TOTAL										34,965.47	

DUE TO/FROM RESERVE AND OPERATING ACCOUNTS

This is essentially an internal Account Receivable showing amounts owed from one account to another within the corporation's ledger.

**ABC Condominium Corp
SUMMARY OF DUE TO/FROM ACCOUNTS
March 31, 2014**

Description	Amount
14-Mar Funds owed to Reserve as R. Koudy invoice expensed in prior year	6,568.82
<i>(transfer completed April 10, 2014)</i>	
TOTAL	<u>\$ 6,568.82</u>

BANK RECONCILIATION

This report compares the bank records to those tracked in the corporation's account records in order to uncover any possible discrepancies.

ABC Condominium Corp Operating		04/30/2014	
Bank Reconciliation Report			
03/31/2014			
02722-123-456-7			
Balance Per Bank Statement as of 03/31/2014			220,794.40
Outstanding Checks			
Check date	Check number	Payee	Amount
11/08/2013	10993	nothers - Nothers	117.46
02/18/2014	11085	v0002229 - Bev Groth	146.50
03/20/2014	11122	hollandi - Hollandia Gardens Limited	276.28
03/20/2014	11123	rogers - Rogers	12.44
03/20/2014	11124	stacey - Stacey Heating and Plumbing Supplies Ltd	72.32
03/24/2014	11125	forestc - Forest City Fire Protection	216.67
03/31/2014	11126	alamtec - Alarmtech Security System	267.81
03/31/2014	11127	boxwoods - Boxwoods Flowers	113.00
03/31/2014	11128	checclea - CHECKERS CLEANING SUPPLY	102.78
03/31/2014	11129	commiss - Commissionaires	6,706.41
03/31/2014	11130	forestc - Forest City Fire Protection	387.58
03/31/2014	11131	g&kser - G&K Services Canada Inc.	271.83
03/31/2014	11132	hollandi - Hollandia Gardens Limited	620.88
03/31/2014	11133	lod - LCD	689.30
03/31/2014	11134	maillou - Mailloux Painting	3,067.95
03/31/2014	11135	res_mult - Responsive Multi-Tech	225.56
03/31/2014	11136	skyline - Skyline Elevator Inc	1,457.59
03/31/2014	11137	stacey - Stacey Heating and Plumbing Supplies Ltd	234.48
03/31/2014	11138	stewart - Stewart Overhead Door Company Limited	138.99
03/31/2014	11139	technica - Technical Standards & Safety Authority	120.00
Less:	Outstanding Checks		15,245.83
		Reconciled Bank Balance	205,548.57
Balance per GL as of 03/31/2014			205,548.57
		Reconciled Balance Per G/L	205,548.57
Difference	(Reconciled Bank Balance And Reconciled Balance Per G/L)		0.00

AGED PAYABLES SUMMARY

This summary shows the relationship between a corporation's invoices and its due dates to help see whether it is current on its payments to others.

Aging schedules may also be used by creditors in evaluating whether to lend money.

Comparing Aged Payables and Receivables can assist in the prediction of cash flow.

Payable - Aging Summary

Property=ABC AND mm/yy=03/2014 AND Age as of=03/31/2014

Property Code - Name Vendor Code - Name	Current Owed	0 - 30 Owed	31 - 60 Owed	61 - 90 Owed	Over 90 Owed
ABC Condominium Corp					
puc - London Hydro	10,920.87	10,920.87	0	0	0
Total ABC Condominium Corp	10,920.87	10,920.87	0	0	0
	10,920.87	10,920.87	0	0	0

AGED ACCOUNTS RECEIVABLE

A periodic report that categorizes a corporation's Accounts Receivable according to the length of time an invoice has been outstanding.

Aging schedules may also be used by auditors in evaluating the value of a corporation's receivables.

Aged Receivables

Age As Of: 03/31/2014 Post To: 03/2014

Property	Unit	Resident	Name	Total Unpaid Charges	0-30 days	31-60 days	61-90 days	Over 90 days	Prepays	Balance
ABC	1	t0100417	John Smith	83.62	83.62	0.00	0.00	0.00	0.00	83.62
ABC	106	t0000915	Michael Jordan	0.00	0.00	0.00	0.00	0.00	-7,295.52	-7,295.52
ABC	305	t0100455	Gina Davis	0.00	0.00	0.00	0.00	0.00	-84.75	-84.75
ABC	410	t0029966	Ed Harris	155.94	155.94	0.00	0.00	0.00	0.00	155.94
ABC	503	t0100479	Al Pacino	0.00	0.00	0.00	0.00	0.00	-1,373.82	-1,373.82
ABC	504	t0100480	Jennifer Connelly	216.67	216.67	0.00	0.00	0.00	0.00	216.67
ABC Condominium Corp				456.23	456.23	0.00	0.00	0.00	-8,754.09	-8,297.86

GENERAL LEDGER

A complete record of financial transactions over the life of a company but usually shows only current period transactions with an opening balance equivalent to the ending balance of the previous period

Holds account information that is needed to prepare financial statements, and includes accounts for assets, liabilities, owners' equity, revenues and expenses

Typically used by corporations that employ the double-entry bookkeeping method -

where each financial transaction is posted twice, as both a debit and a credit, and where each account has two columns. Because a debit in one account is offset by a credit in a different account, the sum of all debits will be equal to the sum of all credits.



NOTES TO THE FINANCIAL STATEMENTS

It is recommended based on the requirements of the Ontario and Alberta Condo Acts the following information be disclosed in the notes to the financial statements:

ONTARIO

- The date of registration of the corporation and total number of dwelling or other units;
- A description of the functions of the corporation including the name, not-for-profit status, and date of registration;
- A description of the fund accounting policies adopted by the corporation;
- Reserve fund information prescribed by the Act, including a comparison of actual reserve fund allocations and expenses to the planned amounts according to the latest Notice of Future Funding of the Reserve Fund issued to owners;
- Details of any cost sharing or reciprocal agreements (if not otherwise covered by related party transaction disclosure requirements)



ALBERTA

- Amount of any contributions due and payable in respect of the units
- Statement setting out the amount of the monthly contributions and the basis on which that amount was determined including a statement setting out the unit factors and the criteria used to determine unit factor allocation
- Statement setting out any structural deficiencies that the corporation has knowledge of at the time of the request in any of the buildings that are included in the condominium plan
- Copy of any lease agreement or exclusive use agreement with respect to the possession of a portion of the common property, including a parking stall or storage unit

This list is not intended to be exhaustive. Other disclosures may also be required. The board should carefully review the financial statements to ensure that all required disclosures are made.



CONDO CORPORATION BUDGETS

WHY DO YOU NEED A BUDGET?

A condominium's financial health DEPENDS on its annual budget which:

- 1. Determines for the upcoming 12 month period:**
 - expected revenues and expenditures
 - provisions for reserves and long-term expenditures
- 2. Sets the maintenance fees due from unit owners for the upcoming year.**

The budget is prepared with every line item starting from scratch or zero dollars and balanced to zero in the bottom line. This is called a "Zero Based" Budget and is a requirement of Condo law.

WHAT IS INCLUDED IN A TYPICAL BUDGET

The budget formula is simple. To determine what the year's condo fees will be you determine the following:

- Standard Operating Expenses
- Reserve Contribution
- Required Surplus

You then subtract any Supplementary Sources of Income and you have the required condo fees for the year.

STANDARD OPERATING EXPENSES:

These depend on the type of community and the amenities within the condo corporation. They relate to the common

elements and assets of the corporation – the areas shared by all unit owners.

- Property Management Expense
- Administration Costs
- Cleaners and General Housekeeping
- Concierge / Security / Gatehouse
- Heat, Hydro and Water of common elements
- Maintenance and Repairs
- Energy Management
- Landscaping / Snow Removal / Lawn Maintenance
- Exterior Maintenance
- Repairs and Interior Maintenance

THINGS TO CONSIDER:

CONTRACTS:

- Have you seen the contract?
- What is the renewal date?
- Has a price increase been included if not yet known?

ADMINISTRATION:

- Are major projects planned that will require additional communication to owners/residents?
- Have you planned for increase in administration expense
- Are expenses that span over several years spread out across multiple years to prevent periodic spikes?
- Example: insurance appraisal occurs every 3 years so divide the cost by 3 and spread it out evenly

REPAIRS & MAINTENANCE:

- Have you set your wish list? Is each item accounted for?
- Are there any "one time" projects planned that would increase the historical average?
- Were there any "one time" projects completed in the past year included in historical average that would decrease the budget for the coming year?

UTILITIES:

- Are there any projects underway or planned that would increase or decrease consumption?
- Have you taken into account how far into the fiscal year the increase/decrease would take effect?
- Have any planned rate changes been published in the media?

RESERVE CONTRIBUTION:

The Reserve Fund ensures money will be available for expenses that will arise in the future. A study is performed by an expert who advises how much money should be available and when.

THINGS TO CONSIDER:

*More details about **Reserve Funds** and **Reserve Fund Studies** are presented later in this guide.*

- Are there any major adjustments to the reserve plan in the next 5 years that would require the planned contribution amount to be increased?
 - By how much?
 - Should a one-time **special assessment** be considered rather than increasing monthly fees?
 - Work with your engineer if time allows
- Are you using the contribution number from the approved reserve fund study?
 - You cannot contribute less without issuing an alternate funding plan. This would make the Board of Directors personally liable if they are not correct. They would not be covered by insurance or Corporation documents.

SURPLUS REQUIRED:

A surplus is when general revenues exceed general expenditures at the end of a fiscal year. This does NOT include the Reserve Fund.

Since Condo law requires a Zero Based budget, there must be a plan for what to do with any surplus. Options include:

- Retained as a **contingency fund** to cover unexpected expenditures in the budget
- Reduce/stabilize maintenance fees
- Top up Reserve Fund - however once in that fund, cannot be retrieved for anything else.

RULE OF THUMB: It is recommended to operate with a surplus or contingency fund equal the higher of the largest one-time expense (usually insurance) or one month's condo fees.

Boards should plan for expenses within the regular budget rather than rely on a

contingency fund. Large surpluses not only provide temptation to spend impulsively but are wrong.

Condos may not operate in a deficit situation where expenses are greater than revenues. Deficits should be erased within one year after they occur back to a zero base. Special assessments or loans may be necessary to comply. In the rare case a condo corporation requires a loan, a by-law must be passed so owner's opinions can be considered.



THINGS TO CONSIDER:

Does your surplus meet the minimum recommended requirements? It is important that every corporation carry a surplus equal to the higher of 1 month's condo fees or the largest one-time expense (usually the annual insurance premium).

- If too low, you need to set your revenue plan for a positive balance at the end of the year to increase your overall surplus.
- If too high, consider the following:
 - Set up an improvement fund to plan for future projects that will not qualify to come from the reserve fund

(accessibility issues required by new government acts, handicap access, levered door handles, new security systems) or new landscape projects, etc.

- Set an income line "Use of Surplus Funds" to lower current year condo fees. Remember that this only delays required increases. Once surplus funds are gone there are no longer available as a revenue source.

SUPPLEMENTARY SOURCES OF INCOME:

In addition to any surplus remaining from the previous year, any possible sources of income other than condo fees must be budgeted.

THINGS TO CONSIDER:

- Are there any possible sources of income other than condo fees?
 - Parking
 - Laundry
 - Rooftop antennas
 - Guest Suite
 - Interest
- Are you being conservative?
 - Do not overestimate supplementary revenue sources as usage will vary from year to year
 - TIP: Budget 65-80% of the current year amount



CONDO FEES:

The maintenance fees collected from the owners of the units to cover Expenses, Reserve Contribution, and Surplus required less any Supplementary Sources of Income equal the condo fee to charge for the year in question.

All required expenditures and savings are divided among the units on a percentage

basis over the year and then divided into 12 monthly payments based on the size of their unit.

They are akin to rent for services and a joint savings account for future repairs.

THE ANATOMY OF THE BUDGET

- Break out expenses monthly. Some expenses belong or have higher/lower amounts in different seasons, some may be one-time and others may spread evenly across the year
- Compare to past budget and actual expenses
- Balance to zero: Fees amount to what you need to cover expenses
- Separate notes should be included to explain how numbers were arrived at

Annual Budget

For the period ending December 2015

	BUDGET 2015	ACTUAL 2014	BUDGET JAN 2015	BUDGET FEB 2015	BUDGET MAR 2015	BUDGET APR 2015	BUDGET MAY 2015	BUDGET JUN 2015	BUDGET JUL 2015	BUDGET AUG 2015	BUDGET SEP 2015	BUDGET OCT 2015	BUDGET NOV 2015	BUDGET DEC 2015	BUDGET 2015
REVENUE															
CONDO REVENUES															
Condominium Fees	37,556	37,556	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149	49,784
OTHER INCOME															
Interest Income															
Water Recovery	16,200	34,000	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	30,240
Other Income		765													
TOTAL REVENUE BEFORE EXPENSES	53,756	72,321	6,669	6,669	6,669	6,669	6,669	6,669	6,669	6,669	6,669	6,669	6,669	6,669	80,024
OPERATING EXPENSES															
CONTRACT SERVICES															
Landscaping	6,007	6,007					1,050	1,050	1,050	1,050	1,050	1,050		1,050	6,297
Snow Removal	6,007	6,007	1,050	1,050	1,050	1,050							1,050	1,050	6,297
GROUNDS MAINTENANCE															
Landscaping & Snow removal extras			100	100	100	100	100	100	100	100	100	100	100	100	1,200
GENERAL MAINTENANCE															
Parking Enforcement			170	170	170	170	170	170	170	170	170	170	170	170	2,040
Paving / Fencing/ Concrete						50	50	50	50	50	50	50	50	50	300
Catch Basins & Drains			83	83	83	83	83	83	83	83	83	83	83	83	1,000
Repairs and Maintenance	450	800	42	42	42	42	42	42	42	42	42	42	42	42	500
UTILITIES / RESOURCES															
Electricity / Power / Hydro	600	900	84	84	84	84	84	84	84	84	84	84	84	84	1,002
Bulk Water	16,200	34,000	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	30,240
ADMINISTRATION EXPENSES															
Administrative Expenses	365	765	42	42	42	42	42	42	42	42	42	42	42	42	504
Bank Charges		350	29	29	29	29	29	29	29	29	29	29	29	29	350
Insurance	4,515	4,515	261	261	261	261	261	261	261	261	261	261	261	261	3,132
Insurance Bond															0
Insurance Appraisal		906													0
Office Supplies & Meeting Expenses		260	83	83	83	83	83	83	83	83	83	83	83	83	1,000
Miscellaneous															0
PROFESSIONAL SERVICES															
Financial Audit Fees		3,051												1,698	1,698
Legal Fees		4,000	167	167	167	167	167	167	167	167	167	167	167	167	2,000
Performance Audit	2,750	3,334													0
Reserve Fund Study	2,200	1,808													0
Management Fees	9,763	10,842	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	13,626
TOTAL OPERATING EXPENSES	48,857	77,545	5,767	5,767	5,767	5,767	5,817	5,817	5,817	5,817	5,817	5,817	5,767	7,465	71,186
FINANCIAL EXPENSES															
Reserve Allocation	4,899	4,899	737	737	737	737	737	737	737	737	737	737	737	737	8,838
TOTAL FINANCIAL EXPENSES	4,899	4,899	737	737	737	737	737	737	737	737	737	737	737	737	8,838
NET PROFIT (LOSS)	0	-10,123	165	165	165	165	115	115	115	115	115	115	165	-1,533	0

WHO DOES WHAT?

Budgets are prepared by the Property Manager with input from the Board of Directors. Research and recommendations are made by the Property Manager but the ultimate decision of what is finalized is voted on by entire board for approval.

The Budget is signed off by all Directors with signing authority and then presented to Unit Owners. The budget is the responsibility of the Board of Directors. Owners cannot vote on the budget. Owners instead vote in the Members of the Board of Directors entrusting them to make sound decisions.

BOARD OF DIRECTOR RESPONSIBILITIES:

- Review Revenue and Expense numbers presented by Property Manager. These may be changed upon review by the Board
 - Ensure you are comfortable with the reasons and thoughts behind the numbers
 - Confirm the numbers add properly
 - Set your wish list and make decisions on what you feel the budget can handle financially
- Ensure there is sufficient income to cover your planned expenses
 - Be aware of “need” vs. “want” and be prepared to make difficult decisions. Becoming a board member doesn’t mean you will get everything you want
 - If you are uncomfortable with the increase in monthly fees required to accommodate all of your wishes, be prepared to take away projects considered discretionary spending.

WHAT IS A SPECIAL ASSESSMENT?

An additional payment or levy is required when:

- The condo corporation does not have an adequate Reserve Fund to do a repair and cannot charge the expenditure through the operating budget due to lack of funds.

- A replacement or large repair resulted in the depletion of the Reserve Fund and needs to be brought up to date.

It cannot be levied if there is a large surplus. It is approved by the Board and Owners cannot vote. Each owner is charged their

portion of the assessment in relation to the size of their unit.

Both the assessment and the way of levying it require careful consideration by Boards and adequate communication with owners.

THINGS TO CONSIDER:

- Should it be payable in one lump sum or over a period of time?
- When is it due?

THE BIG DECISION: Condo Fees

– To Increase or Not to Increase

Understandably, owners are relieved when fee increases are avoided. Stability in fees is a good thing provided it is NOT to the detriment of the future financial stability of the condo corporation.

Fee Increases are unavoidable in the following situations:

- Level of service is falling
- Cuts in necessary services would be required
- Repairs not possible
- Reserve Fund is inadequate

Consider Increasing Condo Fees 2-5% each year:

- Follow inflation rate

- Slow, steady increase has less impact than facing a large jump all at once

Not raising fees when required can result in diminished real estate values and unsatisfied owners.

Tough decisions are required by Boards of Directors. Avoid common pitfalls:

- Fear of defeat by owners refusing fee increases
- Using the promise of low fees to be re-elected
- Approving unnecessary “preventative” maintenance, premature repairs, constant upgrades and inefficient staff

Instead,

- Ensure decisions are made based on well-researched facts
- Ensure fees collected are spend wisely and not squandered
- Ensure you are only paying for costs the corporation is responsible for under your bylaws and charge back expenses due from owners
- Communicate the reasons behind fee increases effectively so they understand the Budget is to protect their investment
- Continue to find creative solutions to problems with efficient use of funds



CONDO RESERVE FUND

A reserve fund is a savings account or like an insurance policy which ensures funds are available for special expenditures that may come up in the future. These funds must be kept in a separate account from the operating expense account which is easily accessible and securely invested and not in the stock market or other risky ventures.

WHAT ARE THE FUNDS USED FOR?

Condo law indicates Reserve Funds can only be used for replacement and major, non-routine repairs of common elements and assets of the condo. Regular wear and tear must be covered in the annual budget.

For Example:

Caulking maintenance, repair and reinforcement of window, although expensive especially in high rises, is a maintenance expense to be covered in the regular budget. Window Replacement is

paid for out of the Reserve Fund but not as often if annual maintenance is included in the annual budget.

Upgrades cannot be paid out of the reserve fund. Elements should be replaced with similar quality to the original. However, a case can be made for elements needing replacement be done with better quality if it will solve a problem, protect the corporation or save them money and future problems in the long run.

For Example:

A broken tile floor cannot be replaced by an expensive marble one. The difference in the cost between the upgrade and the direct replacement must come from the annual budget. Old windows ready for replacement should be replaced with energy efficient ones even if they are an upgrade from the original style of windows due to the energy conservation and savings.

HOW MUCH SHOULD BE KEPT IN SAVINGS?



The amount to maintain in your Reserve Fund is determined by a **Reserve Fund Study**. This study determines:

- Inventory of all depreciating property which needs to be repaired or replaced within the next 25 years based on normal use such as heating, plumbing, garages, balconies, windows, etc
- Present condition of depreciating property and an estimate of when each component will need repair or replacement
- Estimated costs of repairs or replacement at the required time in the future
- Life expectancy of each component of depreciating property once it has been repaired or replaced

- Current amount of funds (if any) included in the corporation's reserve fund
- Recommended amount of funds that should be added to the corporation's reserve fund in order to have enough to cover recommended repairs and replacements and when to have them available

The Board must establish a fund (if not already in existence) and determine how to implement the plan or recommends reasonable alternatives and communicates their decision with the owners before implementing it. This is generally communicated at the same time as the budget as it is a major component.



HOW OFTEN SHOULD RESERVE FUND STUDIES BE DONE?

Comprehensive Reserve Fund Studies must be carried out every three years in Ontario.

In Alberta, the reserve fund study, report and plan must be prepared no later than two years from the day the condominium was registered. This must be done at least every five years moving forward.

WHO SHOULD PREPARE RESERVE THE FUND STUDY?

This study should be performed by experts with a special designation. They may be members of the Appraisal Institute of Canada or other similar accredited groups such as the Ontario Association of Certified Engineers.

TIP:

When choosing an expert, ask for a sample Reserve Fund Study they have prepared. Does it educate, offer firm recommendations for safety yet still reasonable and realistic. Remember, the title of Engineer doesn't make them an expert.



IMPLICATIONS AND CONSEQUENCES OF YOUR DECISIONS AS A BOARD MEMBER

In addition to keeping fees low at the risk of poor everyday upkeep, if the Board fails to maintain an adequate Reserve Fund with increased contributions or special assessments, they could be sued by owners in the future. Directors' Liability insurance may not cover them if due diligence has not been done.

If a Reserve Fund Study is not done or updated frequently enough, the result may be large unplanned or emergency special assessments.

THINGS TO CONSIDER:

- Replacement and repair costs can rise significantly and in some cases more than anticipated in the Reserve Fund Study. Costs must be re-evaluated when the study is regularly updated.
- Changes to laws regarding how work must be performed (special equipment and labour requirements for example) can cause significant increases to estimated replacement and repair costs.
- Changes in weather and use can cause a property to deteriorate at a rate more rapid than predicted.
- Poor hiring decisions of contractors and small mistakes can have drastic and long-term impact on the quality and price of a job.
- Don't play the "numbers game" trying to fit reserve fund study elements into a desired budget. The prospective cost is what it is especially when it is a safety risk. If the recommendation is to act in the short term, it's because it's urgent and pushing it out may make things worse.

IN SUMMARY

The Reserve Fund Study identifies all the components of property which will depreciate over time and require repair or replacement. It provides timelines, costs and a plan to ensure money will be available when needed.

The Budget includes the annual contribution toward the savings for future repairs and replacement as determined by the Reserve Fund Study and all expected annual expenses. This determines the amount of contributions required from owners cover all of these expenses during the year and ensure they are prepared for future expenses while operating in the best interest of all owners to maintain property values and lifestyle. The budget provides

a road map for the condo corporation's financial success.

The Financial Statements are provided monthly to ensure the corporation is on track, following the road map and executing what was planned.

These pieces of the Condo Corporation's financial puzzle discussed in this guide assist Members of the Board of Directors to do their job successfully. We hope we have provided you a better understanding of these valuable tools provided to you and the confidence to make the best decisions for your community.





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