

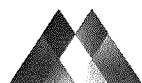
**PEEL STANDARD CONDOMINIUM
CORPORATION NO. 978**

Financial Statements

Year ended July 31, 2018

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978
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July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Owners of
Peel Standard Condominium Corporation No. 978

We have audited the accompanying financial statements of Peel Standard Condominium Corporation No. 978, which comprise the balance sheet as at July 31, 2018, and the statements of reserve fund, contingency fund, operating fund, revenue and expenditures and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management and Directors' Responsibility for the Financial Statements

Management and Directors are 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 and Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 our 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, we 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 and Directors, 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 Peel Standard Condominium Corporation No. 978 as at July 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

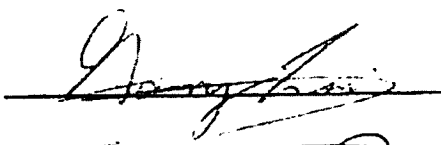
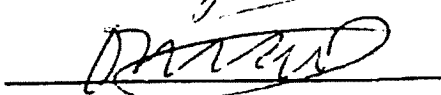
Toronto, Canada
December 5, 2018

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PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Balance Sheet****July 31, 2018**

	2018	2017
Assets		
Current		
Cash	\$ 971,384	\$ 801,270
Accounts receivable	6,682	12,341
Prepaid expenditures	8,991	5,486
	987,057	819,097
Reserve investments (Note 4)	1,446,663	843,047
	<u>\$ 2,433,720</u>	<u>\$ 1,662,144</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 215,615	\$ 153,621
Fund balances		
Reserve fund	1,446,664	843,047
Contingency fund	303,062	300,000
Operating fund	468,379	365,476
	<u>2,218,105</u>	<u>1,508,523</u>
	<u>\$ 2,433,720</u>	<u>\$ 1,662,144</u>

Approved on behalf of the Board:

 Director
 Director

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Statement of Reserve Fund****Year ended July 31, 2018**

	2018	2017
Balance, beginning of year	\$ 843,047	\$ 354,724
Add (deduct)		
Allocation from common element assessments	589,916	480,000
Interest	20,812	8,323
Heating, ventilation and air conditioning	(7,111)	-
Balance, end of year	\$ 1,446,664	\$ 843,047

Statement of Contingency Fund**Year ended July 31, 2018**

	2018	2017
Balance, beginning of year	\$ 300,000	\$ -
Add		
Interest	3,062	-
Transfer from operating fund	-	300,000
Balance, end of year	\$ 303,062	\$ 300,000

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978
Statement of Operating Fund
Year ended July 31, 2018

	2018	2017
Balance, beginning of year	\$ 365,476	\$ 446,166
Add		
Excess of revenue over expenditures	102,903	219,310
Transfer to contingency fund	-	(300,000)
Balance, end of year	\$ 468,379	\$ 365,476

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Statement of Revenue and Expenditures****Year ended July 31, 2018**

	2018 Budget (Note 8)	2018 Actual	2017 Actual
Revenue			
Common element assessments	\$ 2,802,024	\$ 2,802,030	\$ 2,676,604
Interest and other	29,650	42,130	42,360
	2,831,674	2,844,160	2,718,964
Less allocation to reserve fund	589,916	589,916	480,000
	2,241,758	2,254,244	2,238,964
Expenditures (See analysis of certain expenditures on pages 6 and 7)			
Scheduled services	894,652	858,913	771,719
Utilities	886,093	706,573	780,539
Repair and maintenance	211,555	232,036	165,941
Administration	126,422	164,283	123,791
On-site personnel	97,036	90,698	101,540
Recreation facility	11,000	18,734	13,229
Special projects	10,000	77,758	58,533
Guest suite	5,000	2,346	4,362
	2,241,758	2,151,341	2,019,654
Excess of revenue over expenditures	\$ -	\$ 102,903	\$ 219,310

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Schedules to Financial Statements****Year ended July 31, 2018**

	2018 Budget (Note 8)	2018 Actual	2017 Actual
Scheduled services			
Access control	\$ 276,813	\$ 273,347	\$ 246,734
Housekeeping	200,448	197,275	172,936
Management	189,513	188,773	184,891
Heating, ventilation and air conditioning	70,219	70,219	41,477
Elevator	39,612	39,532	35,426
Grounds maintenance	28,815	28,815	28,815
Window cleaning	28,668	14,334	15,289
Power sweep and wash	15,932	7,967	7,967
Fire protection	13,859	13,054	12,888
Pool and whirlpool	12,510	11,990	11,178
Other	12,152	8,496	9,000
Pest and odour control	6,111	5,111	5,118
	\$ 894,652	\$ 858,913	\$ 771,719
Utilities			
Electricity	\$ 529,799	\$ 351,918	\$ 457,057
Gas	205,532	211,404	185,528
Water	150,762	143,251	137,954
	\$ 886,093	\$ 706,573	\$ 780,539
Repair and maintenance			
Building	\$ 124,935	\$ 121,960	\$ 94,645
Heating, ventilation and air conditioning	29,600	31,730	28,493
Plumbing	17,000	41,802	20,830
Electrical	13,500	10,047	11,316
Garage	11,520	8,240	7,103
Landscaping	8,000	8,388	712
Access control	7,000	9,869	2,842
	\$ 211,555	\$ 232,036	\$ 165,941

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978

Schedules to Financial Statements

Year ended July 31, 2018

	2018 Budget (Note 8)	2018 Actual	2017 Actual
Administration			
Insurance	\$ 63,172	\$ 75,251	\$ 54,757
Office	21,500	29,127	19,517
Telephone and Internet	16,000	13,406	14,174
Legal	10,000	10,096	7,889
Consulting and appraisal	6,000	5,626	11,571
Performance audit	5,000	27,054	11,017
Audit	4,750	3,723	4,866
	\$ 126,422	\$ 164,283	\$ 123,791

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Statement of Cash Flows****Year ended July 31, 2018**

	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 102,903	\$ 219,310
Changes in		
Accounts receivable	5,659	(5,586)
Prepaid expenditures	(3,505)	47,528
Due from Declarant	-	22,617
Accounts payable and accrued liabilities	61,994	(168,988)
	167,051	114,881
Financing activities		
Allocation to reserve fund	589,916	480,000
Investing activities		
Increase in reserve investments	(603,616)	(488,323)
Reserve fund interest	20,812	8,323
Reserve expenditure	(7,111)	-
Contingency fund interest	3,062	-
	(586,853)	(480,000)
Cash, end of year	170,114	114,881
Cash, beginning of year	801,270	686,389
Cash, end of year	\$ 971,384	\$ 801,270

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Notes to Financial Statements****Year ended July 31, 2018**

1. Nature of operations

The Corporation was registered on July 17, 2015 under the Condominium Act, 1998 and is a not-for-profit organization that is exempt from taxes under the Income Tax Act. Its purpose is to manage and maintain the common elements (as defined in the Corporation's Declaration and By-laws) and to provide common services for the benefit of the owners of a 463 unit residential condominium community located at 55 and 75 Eglinton Avenue West in Mississauga, Ontario known as Pinnacle Uptown-Crystal Tower One and Two.

2. Summary of significant accounting policies

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Corporation's management and Directors to make estimates and assumptions that affect the reported amount of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. These estimates and assumptions are reviewed periodically, and adjustments are reported in the Statement of Revenue and Expenditures in the year in which they become known. Significant accounting policies are as follows:

Accrual basis of accounting

Revenue and expenditures are recorded on the accrual basis of accounting under which they are recorded in the financial statements in the year they are earned or incurred respectively whether or not such transactions have been settled by the receipt or payment of money.

Common elements

The common elements of the Corporation are owned proportionately by the owners and consequently are not reflected as assets in these financial statements.

Reserve fund

The Corporation is required by the Condominium Act, 1998 to allocate to a reserve fund amounts that are calculated from expected repair and replacement costs and life expectancies of the common elements of the Corporation and are reasonably expected to provide sufficient funds to repair and replace the common elements. The reserve fund is charged with the cost of major repair and replacement of the common elements and assets of the Corporation.

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Notes to Financial Statements****Year ended July 31, 2018**

2. Summary of significant accounting policies - cont'd**Fund accounting**

Revenue and expenditures related to major repair and replacement of the common elements are reported in the Statement of Reserve Fund.

Allocations and expenditures, at the discretion of the Board of Directors, that are unusual or may not be charged to the reserve fund, are reported in the Statement of Contingency Fund.

Revenue and expenditures for operations of the Corporation and for maintenance of the common elements are reported in the Statement of Revenue and Expenditures.

Revenue recognition

Common element assessments are recognized as revenue monthly based on the budget distributed to owners each year. Interest and other revenue are recognized as revenue of the related fund when earned.

Reserve investments

Reserve cash is recorded at cost plus accrued interest.

Contributed services

Directors and owners volunteer their time to assist in the Corporations' activities. These services materially benefit the Corporation; however, a reasonable estimate of the time spent and its fair market value cannot be made and accordingly, these contributed services are not recognized in the financial statements.

Fund balance management

The Corporation manages its fund balances through annual budgets that accumulate amounts adequate for reserve fund requirements and day-to-day operations and by investment of funds in compliance with the requirements of the Condominium Act, 1998.

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978
Notes to Financial Statements
Year ended July 31, 2018

3. Adequacy of reserve fund

The Directors have used the report of Belanger Engineering dated July 2016 and such other information as was available to them to evaluate the adequacy of the reserve fund. That report proposed allocations of \$589,916 for 2018, expenditures of \$4,162 and a year-end balance as at July 31, 2018 of \$1,442,449. Actual amounts were allocations of \$589,916, expenditures of \$7,111 and a year-end balance of \$1,446,664. Reserve fund allocations are proposed to increase by 22.90% for 2019 and by inflation annually thereafter.

Any evaluation of the adequacy of the reserve fund is based upon assumptions as to the future interest and inflation rates and estimates of the life expectancy of the building components and their replacement costs. These factors are subject to change over time and the changes may be material; accordingly, the Condominium Act, 1998 requires reserve fund studies be updated every three years.

The Directors' evaluation is that the present reserve fund balance together with the allocations proposed in the reserve fund study can be reasonably expected to provide sufficient funds to pay for future major repair and replacement.

4. Reserve investments

	2018	2017
Guaranteed investment certificates	\$ 928,346	\$ 633,066
Cash	518,317	209,981
	\$ 1,446,663	\$ 843,047

The guaranteed investment certificates mature between February 2020 and June 2022 and earns interest at rates between 1.78% and 2.60% per annum. Cash is held in a bank account with Bank of Montreal earning interest at the bank's prime rate less 1.65% per annum and in a non-interest bearing broker's account with Industrial Alliance Securities. Market value as at year-end approximates cost plus accrued interest.

PEEL STANDARD CONDOMINIUM CORPORATION NO. 978**Notes to Financial Statements****Year ended July 31, 2018**

5. Related party transactions

During the year, the Directors did not receive remuneration nor have an interest in any transactions of the Corporation. The management company collects amounts from owners and others for issuing statutory notices.

6. Financial instruments

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, accounts receivable and reserve investments. The Corporation places its cash and reserve investments with high credit quality institutions and believe its exposure to credit risk is not significant.

7. Commitments

The Corporation has contractual obligations for various operating expenditures including elevator, security, superintendent, elevator maintenance, cleaning, grounds maintenance, management, and heating, ventilation and air conditioning. All contracts contain short-term cancellation clauses with the exception of the heating, ventilation and air conditioning and elevator maintenance contracts which expire in March 2020 and August 2021, respectively with a current annual cost of \$72,000 and \$40,000, respectively.

The Corporation is obligated to purchase up to twenty-three parking units from the Declarant, at the Declarant's option, any time within ten years from the date of registration at a cost of \$25,000 (plus HST) for each unit. The purchase is financed by a mortgage from the Declarant, bearing interest at 5.00% per annum, calculated semi-annually and amortized over ten years and repayable over five years.

The Corporation is obligated to purchase up to twenty storage units from the Declarant, at the Declarant's option, any time within ten years from the date of registration at a cost of \$4,000 (plus HST) for each unit. The purchase is to be financed by a mortgage from the Declarant, bearing interest at 5.00% per annum, calculated semi-annually and amortized over ten years and repayable over five years.

8. Budget amounts

The budget amounts on the Statement of Revenue and Expenditures and Schedules to Financial Statements are presented for information purposes only, are unaudited and not covered by the Independent Auditor's Report of Adams & Miles LLP, Chartered Professional Accountants, dated December 5, 2018.