

THE OWNERS, STRATA PLAN NO. LMS 712

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FINANCIAL STATEMENTS

December 31, 2020

THE OWNERS, STRATA PLAN NO. LMS 712

INDEX TO THE FINANCIAL STATEMENTS December 31, 2020

	Page
Independent Auditors' Report	1 - 2
Statement of Operations and Changes in Net Assets	3 - 4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12
Schedule of Restricted Funds	13

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS, STRATA PLAN NO. LMS 712

Opinion

We have audited the financial statements of The Owners, Strata Plan No. LMS 712 (the "Strata Corporation"), which comprise the statement of financial position as at December 31, 2020, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Strata Corporation as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Strata Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Strata Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Strata Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Strata Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT, CONTINUED

- Obtain an understanding of internal control relevant to the audit 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 Strata Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Strata Corporation's ability to continue as a going concern. If conclude that a material uncertainty exists, required to draw attention in report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify opinion. conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Strata Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "Reid Hurst Nagy Inc." in a cursive script.

REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
APRIL 04, 2021

THE OWNERS, STRATA PLAN NO. LMS 712

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS For the year ended December 31, 2020

	Operating Fund Budget 2020 \$	Operating Fund Actual 2020 \$	Operating Fund Actual 2019 \$	Restricted Fund Actual 2020 \$	Restricted Fund Actual 2019 \$	Total Actual 2020 \$	Total Actual 2019 \$
REVENUES							
Strata fees	2,529,200	2,529,200	2,409,638	-	-	2,529,200	2,409,638
Special levy	-	-	-	200,000	-	200,000	-
Fines	6,000	9,670	11,958	-	-	9,670	11,958
Interest	1,000	486	1,657	8,676	17,403	9,162	19,060
Miscellaneous	11,000	19,416	12,481	-	-	19,416	12,481
Parking	1,200	700	1,300	-	-	700	1,300
	2,548,400	2,559,472	2,437,034	208,676	17,403	2,768,148	2,454,437
EXPENSES							
Administration and general							
Audit fees	6,900	6,016	7,204	-	-	6,016	7,204
Insurance	293,271	316,955	163,215	-	-	316,955	163,215
Legal fees	5,000	27,522	2,970	-	-	27,522	2,970
Management fees (Note 12)	56,329	56,828	53,647	-	-	56,828	53,647
Miscellaneous (Note 12)	12,000	12,218	11,753	-	-	12,218	11,753
Printing and stationery (Note 12)	8,500	12,225	8,435	-	-	12,225	8,435
	382,000	431,764	247,224	-	-	431,764	247,224
Buildings and grounds							
Boiler and mechanical	156,600	80,022	164,025	-	-	80,022	164,025
Building manager	67,300	71,488	63,727	-	-	71,488	63,727
Concierge	200,000	196,332	185,483	-	-	196,332	185,483
Depreciation	-	-	-	1,545	1,983	1,545	1,983
Electricity	110,000	99,229	107,194	-	-	99,229	107,194
Elevator	66,000	65,571	64,392	-	-	65,571	64,392
Employee benefits	23,000	23,739	23,731	-	-	23,739	23,731
Engineering	30,000	22,779	26,517	-	-	22,779	26,517
Fire protection	35,000	16,454	42,013	-	-	16,454	42,013
Garbage and recycling	58,000	54,845	67,692	-	-	54,845	67,692
Gas	111,000	122,431	109,551	-	-	122,431	109,551
Janitorial services	126,000	124,198	120,415	-	-	124,198	120,415
Landscaping - exterior	60,000	56,166	50,275	-	-	56,166	50,275
Landscaping - improvements (recovery)	-	-	(1,807)	-	-	-	(1,807)
Landscaping - interior	9,500	8,707	8,941	-	-	8,707	8,941

The accompanying notes are an integral part of these financial statements.

THE OWNERS, STRATA PLAN NO. LMS 712

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS For the year ended December 31, 2020

	Operating Fund Budget 2020	Operating Fund Actual 2020	Operating Fund Actual 2019	Restricted Fund Actual 2020	Restricted Fund Actual 2019	Total Actual 2020	Total Actual 2019
Painting	\$ 23,500	\$ 29,320	\$ 23,812	\$ -	\$ -	\$ 29,320	\$ 23,812
Repairs and maintenance	200,000	208,695	190,988	774,645	878,643	983,340	1,069,631
Reserve fund study/depreciation report	-	-	6,649	-	-	-	6,649
Security	35,000	57,392	42,114	-	-	57,392	42,114
Supplies	9,000	13,747	8,924	-	-	13,747	8,924
Water and sewer	128,000	153,399	121,372	-	-	153,399	121,372
Window cleaning	44,000	39,585	42,651	-	-	39,585	42,651
	<u>1,491,900</u>	<u>1,444,099</u>	<u>1,468,659</u>	<u>776,190</u>	<u>880,626</u>	<u>2,220,289</u>	<u>2,349,285</u>
Recreation Centre							
Repairs and maintenance	24,500	24,651	17,143	-	-	24,651	17,143
	<u>24,500</u>	<u>24,651</u>	<u>17,143</u>	<u>-</u>	<u>-</u>	<u>24,651</u>	<u>17,143</u>
	<u>1,898,400</u>	<u>1,900,514</u>	<u>1,733,026</u>	<u>776,190</u>	<u>880,626</u>	<u>2,676,704</u>	<u>2,613,652</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE	650,000	658,958	704,008	(567,514)	(863,223)	91,444	(159,215)
Appropriations to the Contingency Reserve Fund	(50,000)	(50,000)	(75,000)	50,000	75,000	-	-
Appropriations to the Structural Fund	(600,000)	(600,000)	(633,000)	600,000	633,000	-	-
	<u>(650,000)</u>	<u>(650,000)</u>	<u>(708,000)</u>	<u>650,000</u>	<u>708,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	8,958	(3,992)	82,486	(155,223)	91,444	(159,215)
Net assets, beginning of year		136,018	140,010	973,519	1,128,742	1,109,537	1,268,752
Net assets, end of year		<u>144,976</u>	<u>136,018</u>	<u>1,056,005</u>	<u>973,519</u>	<u>1,200,981</u>	<u>1,109,537</u>

The accompanying notes are an integral part of these financial statements.

THE OWNERS, STRATA PLAN NO. LMS 712

STATEMENT OF FINANCIAL POSITION December 31, 2020

	2020	2019
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash (Note 4)	617,758	630,508
Investments (Note 5)	531,941	649,275
Accounts receivable - owners	34,140	17,869
Accounts receivable - other	294	10,894
Prepaid expenses	191,553	335
	1,375,686	1,308,881
TANGIBLE CAPITAL ASSETS (NOTE 6)	14,718	16,263
	1,390,404	1,325,144
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals	150,186	187,833
Strata fees received in advance	26,682	19,112
Wages payable	-	1,823
Vacation payable	5,333	-
Payroll deductions payable	7,222	6,839
	189,423	215,607
NET ASSETS		
UNRESTRICTED	144,976	136,018
RESTRICTED	1,041,287	957,256
INVESTED IN TANGIBLE CAPITAL ASSETS	14,718	16,263
	1,200,981	1,109,537
	1,390,404	1,325,144

INTERFUND LOANS (NOTE 7)

Approved on behalf of
The Owners, Strata Plan No. LMS 712

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The accompanying notes are an integral part of these financial statements.

THE OWNERS, STRATA PLAN NO. LMS 712

STATEMENT OF CASH FLOWS For the year ended December 31, 2020

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	91,444	(159,215)
Adjustment for		
Depreciation	1,545	1,983
	92,989	(157,232)
CHANGE IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable - owners	(16,270)	(12,098)
Accounts receivable - other	10,600	(4,248)
Prepaid expenses	(191,218)	1,221
Accounts payable and accruals	(37,647)	(10,603)
Strata fees received in advance	7,569	(14,738)
Wages payable	(1,823)	(2,369)
Vacation payable	5,333	-
Payroll deductions payable	383	(151)
	(130,084)	(200,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	117,334	105,721
NET DECREASE IN CASH	(12,750)	(94,497)
CASH, BEGINNING OF YEAR	630,508	725,005
CASH, END OF YEAR	617,758	630,508

The accompanying notes are an integral part of these financial statements.

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

1. PURPOSE OF THE STRATA CORPORATION

The Strata Corporation has been established in accordance with the Strata Property Act of British Columbia and is responsible for managing and maintaining the common property and common assets of the Strata Corporation for the benefit of the owners.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed below:

(a) Restricted Fund Method of Accounting

These financial statements have been prepared following the restricted fund method of accounting, where revenues are recorded in the period in which they were assessed or earned and expenses are recorded in the period in which they became an obligation.

(i) Operating Fund

The Operating Fund reports unrestricted resources used for administrative activities and routine maintenance.

(ii) Contingency Reserve Fund

The Contingency Reserve Fund reports restricted resources used for non-annual repair, maintenance and replacement of common property, common facilities and other assets.

The Strata Property Act requires if the amount of money in the Contingency Reserve Fund at the end of any fiscal year after the first annual general meeting is less than 25% of the total contribution to the Operating Fund for the fiscal year that has just ended, the annual contribution to the Contingency Reserve Fund for the current fiscal year must be at least the lesser of: 10% of the total contribution to the Operating Fund for the current fiscal year and the amount required to bring the Contingency Reserve Fund to at least 25% of the total amount budgeted for the contribution to the Operating Fund for the current fiscal year. If the balance in the Contingency Reserve Fund at the end of any fiscal year after the first annual general meeting is equal to or greater than 25% of the annual budgeted contribution to the Operating Fund for the fiscal year that has just ended, additional contributions to the Contingency Reserve Fund may be made as part of the annual budget approval process after consideration of the depreciation report, if any, obtained under section 94 of the Strata Property Act.

Investment income generated by the Contingency Reserve Fund is to be retained in the Contingency Reserve Fund.

Expenses may be charged to the Contingency Reserve Fund if approved by a resolution passed by: a majority vote, if the expense is necessary to obtain a depreciation report or is related to the repair, maintenance or replacement, as recommended in the most current depreciation report; or if approved by 75% of owners entitled to vote at a properly convened general meeting; or if there are reasonable grounds to believe that an immediate expense is necessary to ensure safety or prevent significant loss or damage, whether physical or otherwise.

(iii) Capital Fund

The Capital Fund reports common tangible capital assets, their related financing and depreciation.

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Restricted Fund Method of Accounting, CONTINUED

(iv) Other Restricted Funds

Other Restricted Funds report any other funds set up for specified purposes in accordance with resolutions approved by a 75% vote.

(b) Investments

Investments are composed of term deposits and are measured at amortized cost.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost. The Strata Corporation provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Artwork	Declining balance	0%
Computer	Declining balance	30%
Equipment	Declining balance	20%
Lobby furniture	Declining balance	20%
Tractor	Declining balance	20%

(d) Income Tax Status

For income tax purposes, the Strata Corporation is a non-profit organization exempt from income taxes under Section 149(1)(l) of the Canadian Income Tax Act.

(e) Interest revenue

Interest earned is allocated to the Operating Fund and Restricted Funds in accordance with the interest earned on the cash held by each fund.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are collectability of accounts receivable, accounts payable and accruals, the useful lives and residual value of tangible capital assets, and depreciation methods.

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments

(i) Measurement of financial instruments

The Strata Corporation initially measures its financial assets and liabilities at fair value.

The Strata Corporation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable, and investments in term deposits.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Strata Corporation has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Strata Corporation determines whether there are indications of possible impairment. When there is an indication of impairment, and the Strata Corporation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Strata Corporation is a going concern and thus expects to fully repay the outstanding amounts.

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

4. CASH

Cash is composed of the following components:

	2020	2019
	\$	\$
Operating Fund	144,815	257,549
Contingency Reserve Fund	78,487	91,993
Structural Fund	349,187	275,517
Interior Refurbishment Fund	2,649	5,449
Membrane Repairs Fund	42,620	-
	617,758	630,508

Contingency Reserve Fund cash is restricted under section 95 of the Strata Property Act.

Special levy cash is restricted under section 108(4) of the Strata Property Act.

5. INVESTMENTS

INSTITUTION	INSTRUMENT	MATURES	INTEREST RATE	
				\$
Vancity Credit Union	Term Deposit	July 9, 2021	1.0%	60,000
Vancity Credit Union	Term Deposit	July 9, 2021	1.0%	100,000
Vancity Credit Union	Term Deposit	July 9, 2021	1.0%	100,000
Vancity Credit Union	Term Deposit	July 30, 2021	1.0%	106,981
Vancity Credit Union	Term Deposit	August 1, 2021	1.0%	101,504
Coast Capital	Term Deposit	October 12, 2021	0.9%	63,456
				531,941

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
	\$	\$	\$	\$
Artwork	9,026	-	9,026	9,026
Computer	2,335	1,654	681	972
Equipment	33,443	29,501	3,942	4,928
Lobby furniture	2,223	2,187	36	45
Tractor	10,693	9,660	1,033	1,292
	57,720	43,002	14,718	16,263

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

7. INTERFUND LOANS

As at the year end date, interfund loans were receivable (payable) between the following funds:

	2020	2019
	\$	\$
Operating Fund	(63,023)	-
Contingency Reserve Fund	63,023	1,188
Structural Fund	-	(1,188)
	-	-

Interfund loans are non-interest bearing with no specific terms of repayment.

8. CONTINGENCY RESERVE FUND

The Strata Property Act defines a Contingency Reserve Fund as a fund for common expenses that usually occur less often than once a year or that do not usually occur.

The following expenses have been charged to the Contingency Reserve Fund to ensure safety or prevent significant loss or damage:

	2020
	\$
Drainage and leak repairs	102,227

9. STRUCTURAL FUND

The Structural Fund was established to reserve funds for the purpose of repairing the building envelope. An annual appropriation is made to the Fund as part of the Operating budget.

10. INTERIOR REFURBISHMENT FUND

At the Annual General meeting held February 17, 2015, it was resolved to expend a sum of money not exceeding \$650,000, for the purpose of upgrading the safety equipment of five elevators, refurbishing the interior cabs of six elevators, and completing interior refurbishment of all lobbies, upper lounges and the library, to include, but not limited to, furniture, carpets and accessories, such expense to be funded by a special levy upon the owners.

11. MEMBRANE REPAIRS FUND

At the Annual General meeting held February 25, 2020, it was resolved to expend a sum of money not exceeding \$200,000, for the purpose of renewing the podium membrane, such expense to be funded by a special levy upon the owners.

THE OWNERS, STRATA PLAN NO. LMS 712

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

12. RELATED PARTY TRANSACTIONS

The Strata Corporation is related to the Property Management Company by virtue of its ability to exercise management decisions and significant influence over the Strata Corporation. Transactions include the following:

	2020	2019
	\$	\$
Management Fees	56,828	53,647
Miscellaneous	2,146	3,142
Printing and stationery	9,155	7,269
	68,129	64,058

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

13. COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential effects on the Strata due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Strata's operations.

The extent of the impact of this outbreak and related containment measures on the Strata's operations cannot be reliably estimated at this time.

14. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

THE OWNERS, STRATA PLAN NO. LMS 712

SCHEDULE OF RESTRICTED FUNDS

December 31, 2020

	Contingency Reserve Fund 2020 \$	Structural Fund 2020 \$	Interior Refurbishment Fund 2020 \$	Membrane Repairs Fund 2020 \$	Capital Fund 2020 \$	Restricted Funds 2020 \$	Restricted Funds 2019 \$
REVENUE							
Special levy	-	-	-	200,000	-	200,000	-
Interest	5,646	2,653	35	342	-	8,676	17,403
	5,646	2,653	35	200,342	-	208,676	17,403
EXPENSES							
Depreciation	-	-	-	-	1,545	1,545	1,983
Repairs and maintenance	102,227	513,010	2,835	156,573	-	774,645	878,643
	102,227	513,010	2,835	156,573	1,545	776,190	880,626
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, BEFORE	(96,581)	(510,357)	(2,800)	43,769	(1,545)	(567,514)	(863,223)
Appropriations to the Contingency Reserve Fund	50,000	-	-	-	-	50,000	75,000
Appropriations to the Structural Fund	-	600,000	-	-	-	600,000	633,000
	50,000	600,000	-	-	-	650,000	708,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(46,581)	89,643	(2,800)	43,769	(1,545)	82,486	(155,223)
Net assets, beginning of year	618,528	333,279	5,449	-	16,263	973,519	1,128,742
Net assets, end of year	571,947	422,922	2,649	43,769	14,718	1,056,005	973,519

The accompanying notes are an integral part of these financial statements.