

INDEPENDENT AUDITORS' REPORT

RICHMOND

TO THE OWNERS, STRATA PLAN NO. LMS 1328

VANCOUVER

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We have audited the accompanying financial statements of The Owners, Strata Plan No. LMS 1328, which comprise the statement of financial position as at January 31, 2014, and the statement of operations and changes in fund balance, the statement of changes in restricted fund balances, the statement of changes in capital fund balance and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 the auditors' 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, the auditors consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Owners, Strata Plan No. LMS 1328 as at January 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended January 31, 2013, presented for comparative purposes, are unaudited and we do not express an opinion on those financial statements.



REID HURST NAGY INC.
CERTIFIED GENERAL ACCOUNTANTS

RICHMOND, B.C.
NOVEMBER 24, 2014

THE OWNERS, STRATA PLAN NO. LMS 1328

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

For the year ended January 31, 2014

	Operating Fund Budget 2014 (Unaudited)	Operating Fund Actual 2014	Operating Fund Actual 2013
	\$	\$	\$
REVENUES			
Strata fees	571,510	571,510	562,208
Interest	600	629	683
Miscellaneous	1,350	2,528	937
Moving fees	2,000	1,600	1,600
Rental	20,000	21,000	20,733
Parking	3,400	3,920	3,395
Late charges	-	3,203	4,151
	598,860	604,390	593,707
EXPENDITURES			
General			
Caretaker - wages	81,860	81,149	81,525
Caretaker - relief	11,500	13,807	11,657
Management fees	48,900	46,353	47,400
Bank charges	600	488	504
Office and administration	8,550	9,187	7,976
Audit fees	-	5,182	-
Repairs and maintenance	60,000	59,781	59,196
Improvements	10,500	6,982	10,347
Landscaping	25,600	25,478	28,000
Security	5,200	5,832	783
Building supplies	4,100	4,923	2,968
Electricity	41,500	45,790	46,148
Trash collection	16,800	16,652	16,731
Natural gas	52,000	50,195	55,642
Fire protection	12,000	10,247	16,068
Mechanical	28,000	17,551	34,724
Professional fees - depreciation report	22,500	19,549	5,719
Elevator maintenance	28,000	25,062	27,693
Insurance	61,400	60,190	51,542
Enterphone / communications	4,500	5,834	5,126
	523,510	510,232	509,749
	523,510	510,232	509,749
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES, Before	75,350	94,158	83,958
Budgeted interfund transfers	(75,350)	(75,350)	(75,350)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	18,808	8,608
Fund balance, beginning of the year		69,808	61,200
Fund balance, end of the year		88,616	69,808

The accompanying notes are an integral part of these financial statements

THE OWNERS, STRATA PLAN NO. LMS 1328

STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES For the year ended January 31, 2014

	2014	2013
	\$	\$
CONTINGENCY RESERVE FUND (Note 7)		
Balance, beginning of the year	260,835	236,952
Current appropriations	75,350	75,350
Interest	3,434	2,709
Miscellaneous	-	8,890
Expenditures	(146,461)	(63,066)
Interfund transfers	7,305	-
Balance, end of the year	200,463	260,835
PROMPT REPAIRS FUND (Note 8)		
Balance, beginning of the year	7,289	27,904
Interest	16	83
Expenditures	-	(20,698)
Interfund transfers	(7,305)	-
Balance, end of the year	-	7,289
Restricted fund balances, end of the year	200,463	268,124

The accompanying notes are an integral part of these financial statements

THE OWNERS, STRATA PLAN NO. LMS 1328

STATEMENT OF CHANGES IN CAPITAL FUND BALANCE For the year ended January 31, 2014

	2014	2013
	\$	\$
CAPITAL FUND		
Balance, beginning of the year	5,583	6,979
Depreciation	(1,116)	(1,396)
Balance, end of the year	4,467	5,583

The accompanying notes are an integral part of these financial statements

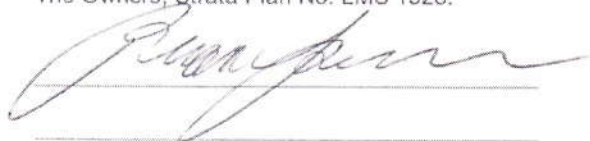
THE OWNERS, STRATA PLAN NO. LMS 1328

STATEMENT OF FINANCIAL POSITION

January 31, 2014

	2014	2013
	\$	\$
ASSETS		
CURRENT		
Cash	64,219	190,102
Investments (Note 4)	192,270	123,663
Accounts receivable - owners	27,942	29,212
Accounts receivable - other	9,532	-
Prepaid expenses	46,074	37,153
	340,037	380,130
TANGIBLE CAPITAL (Note 5)	4,467	5,583
	344,504	385,713
LIABILITIES		
CURRENT		
Accounts payable and accruals	48,834	40,655
Strata fees received in advance	2,124	1,543
	50,958	42,198
FUND BALANCES		
UNRESTRICTED	88,616	69,808
RESTRICTED	200,463	268,124
INVESTED IN TANGIBLE CAPITAL ASSETS	4,467	5,583
	293,546	343,515
	344,504	385,713
INTERFUND LOANS (Note 6)		

Approved on behalf of
The Owners, Strata Plan No. LMS 1328:



The accompanying notes are an integral part of these financial statements

THE OWNERS, STRATA PLAN NO. LMS 1328

STATEMENT OF CASH FLOWS

For the year ended January 31, 2014

	2014
	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (deficiency) of revenues over expenditures	(49,970)
Adjustments for	
Depreciation	1,116
	(48,854)
CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS	
Accounts receivable - owners	1,270
Accounts receivable - other	(9,532)
Prepaid expenses	(8,921)
Strata fees received in advance	581
Accounts payable and accruals	8,180
	(57,276)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(68,607)
NET DECREASE IN CASH	(125,883)
CASH, BEGINNING OF THE YEAR	190,102
CASH, END OF THE YEAR	64,219

The accompanying notes are an integral part of these financial statements

THE OWNERS, STRATA PLAN NO. LMS 1328

NOTES TO THE FINANCIAL STATEMENTS

January 31, 2014

1 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:

(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 expenditures 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.

Expenditures may be charged to the Contingency Reserve Fund 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 expenditure 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.

(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.

THE OWNERS, STRATA PLAN NO. LMS 1328

NOTES TO THE FINANCIAL STATEMENTS

January 31, 2014

(b) Investments

Investments are initially recorded at fair market value at the date of acquisition and are subsequently adjusted to fair market value at the reporting date with the adjustments recognized as investment income in the Fund in which the investments are held.

(c) Tangible Capital Assets

Tangible capital assets are expensed in the Fund from which the acquisition was budgeted when purchased and are capitalized in a Capital Fund at cost. Major capital expenditures of a repair, replacement or renovation nature related to the building and grounds (common property) are expensed to the appropriate fund. They are not capitalized nor is depreciation claimed thereon.

Depreciation is allocated to the Capital Fund on a declining balance basis at the following annual rates (reduced to one half the normal rate in the year of acquisition):

Equipment and furniture	20 %
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(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.

3 FINANCIAL INSTRUMENTS

The Strata Corporation's financial instruments consist of cash, accounts receivable, investments, accounts payable and accruals and strata fees received in advance. Unless otherwise noted, it is management's opinion that the Strata Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

4 INVESTMENTS

INSTITUTION	INSTRUMENT	MATURES	INTEREST RATE	FAIR VALUE
				\$
RBC Dominion Securities Inc.	Term Deposit	July 28, 2014	1.90 %	93,695
RBC Dominion Securities Inc.	Mutual Fund	N/A	N/A	98,575
				<u>192,270</u>

5 TANGIBLE CAPITAL ASSETS

	COST	ACCUMULATED DEPRECIATION	2014 NET	2013 NET
	\$	\$	\$	\$
Equipment and furniture	12,117	7,650	4,467	5,583

THE OWNERS, STRATA PLAN NO. LMS 1328

NOTES TO THE FINANCIAL STATEMENTS January 31, 2014

6 INTERFUND LOANS

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

	2014
	\$
Contingency Reserve Fund	(6,959)
Operating Fund	6,959
	-

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

7 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 common expenditures have been funded by the Contingency Reserve Fund:

	2014
	\$
Security access system	3,882

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

	2014
	\$
Boiler repair	14,739
Storm pumps repair	5,330
Copper pipe leak repairs	83,162
Water damage deductible	10,000
	113,231

Expenditures from the Contingency Reserve Fund were approved by 3/4 vote resolution as follows:

Date of Meeting	Description	Amount Approved	Expended 2014	Expended Prior Years	Expended Total
		\$	\$	\$	\$
March 21, 2013	Replace three flat roofs	30,000	29,348	-	29,348

See Note 8 for additional information regarding the Contingency Reserve Fund.

THE OWNERS, STRATA PLAN NO. LMS 1328

NOTES TO THE FINANCIAL STATEMENTS **January 31, 2014**

8 PROMPT REPAIRS FUND

The purpose of the fund is to carry out prompt repairs.

No further expenditures are expected to be incurred as this project is considered complete.

During the year the remaining balance was transferred to the Contingency Reserve Fund.

9 COMPARATIVE FIGURES

Comparative figures for the year ended January 31, 2013 were not audited and certain figures have been reclassified where necessary to conform with the current year's presentation.