

Financial Statements

Edmonton City Centre Church Corporation

(operating as E4C)

December 31, 2008

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Auditors' Report

Grant Thornton LLP
1401 Scotia Place 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8
T (780) 422-7114
F (780) 426-3208
www.GrantThornton.ca

To the Members of E4C

We have audited the statement of financial position of Edmonton City Centre Church Corporation (o/a E4C) as at December 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Corporation derives revenue from the general public in the form of donations, rents and client fees that are not susceptible to complete audit verification. Accordingly, our verification of the revenue from these sources was limited to the amounts recorded in the records of the Corporation.

In our opinion, except for the effect of adjustments, if any, which might have been required had donations, rents, and client fees been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada

Grant Thornton LLP

April 8, 2009

Chartered Accountants

E4C
Statement of Financial Position

December 31

2008

2007

Assets

Current

Cash	\$ 1,687,761	\$ 1,218,155
Short term investments	145,288	135,586
Accounts receivable	445,408	649,013
Prepaid expenses and deposits	<u>31,568</u>	<u>18,456</u>
	2,310,025	2,021,210

Long term investments (Note 4)	614,419	541,483
Inner City Youth Housing Project (Note 5)	147,754	145,639
Capital assets (Note 6)	<u>9,591,285</u>	<u>9,579,704</u>
	<u>\$ 12,663,483</u>	<u>\$ 12,288,036</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 1,266,546	\$ 923,743
Deferred revenue	684,781	607,243
Current portion of long term debt (Note 7)	278,808	133,484
Current portion of deferred conditional grants (Note 8)	<u>53,600</u>	<u>53,600</u>
	2,283,735	1,718,070

Long term debt (Note 7)	3,853,736	4,135,829
Deferred conditional grants (Note 8)	<u>494,800</u>	<u>548,400</u>
	<u>6,632,271</u>	<u>6,402,299</u>

Net assets

Unrestricted	26,418	190,591
Restricted (Note 14)	1,292,006	1,124,308
Invested in capital assets	<u>4,712,788</u>	<u>4,570,838</u>
	<u>6,031,212</u>	<u>5,885,737</u>
	<u>\$ 12,663,483</u>	<u>\$ 12,288,036</u>

Commitments and guarantees (Note 10)

On behalf of the Board:

See accompanying notes to the financial statements

E4C
Statement of Operations
Year Ended December 31

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Invested in capital assets</u>	<u>Total 2008</u>	<u>Total 2007</u>
Revenues					
Contract income (Note 11)	\$ -	\$ 7,693,524	\$ -	\$ 7,693,524	\$ 5,849,959
Donations and grants (Note 16)	179,397	2,262,177	133,600	2,575,174	3,162,601
Contribution of land and building in support of the Northeast Teen Centre	-	-	-	-	720,499
Bistro operations	-	344,554	-	344,554	288,117
Rents and client fees	-	638,455	-	638,455	630,401
Other	300,996	157,522	-	458,518	320,358
Interest	23,201	35,883	-	59,084	72,768
Member contributions	<u>32,299</u>	<u>-</u>	<u>-</u>	<u>32,299</u>	<u>19,694</u>
	<u>535,893</u>	<u>11,132,115</u>	<u>133,600</u>	<u>11,801,608</u>	<u>11,064,397</u>
Expenditures					
Wages and benefits	771,537	5,360,447	-	6,131,984	4,927,735
Client and other	538,763	2,361,465	4,799	2,905,027	2,619,259
Contracted supplies	-	870,143	-	870,143	873,023
Amortization of capital assets	-	-	676,552	676,552	651,067
Headstart expenditures	-	619,094	-	619,094	609,856
Professional fees	64,019	63,990	-	128,009	182,793
Mortgage interest	-	160,076	-	160,076	167,420
Administration fees and recovery (Note 13)	(980,528)	980,528	-	-	-
Nutrition snack school payments	<u>-</u>	<u>167,361</u>	<u>-</u>	<u>167,361</u>	<u>166,189</u>
	<u>393,791</u>	<u>10,583,104</u>	<u>681,351</u>	<u>11,658,246</u>	<u>10,197,342</u>
	142,102	549,011	(547,751)	143,362	867,055
Inner City Youth Housing Project (Note 5)	<u>-</u>	<u>2,113</u>	<u>-</u>	<u>2,113</u>	<u>27,932</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 142,102</u>	<u>\$ 551,124</u>	<u>\$ (547,751)</u>	<u>\$ 145,475</u>	<u>\$ 894,987</u>

See accompanying notes to the financial statements

E4C**Statement of Changes in Net Assets**Year Ended December 31

	<u>Unrestricted</u>	<u>Restricted</u> (Note 14)	Invested in Capital Assets	Total 2008	Total 2007
Net assets, beginning of year	\$ 190,591	\$1,124,308	\$4,570,838	\$5,885,737	\$4,990,750
Excess (deficiency) of revenues over expenditures	142,102	551,124	(547,751)	145,475	894,987
Internally imposed restrictions (Note 15)	(23,400)	23,400	-	-	-
Investment in capital assets (Note 15)	<u>(282,875)</u>	<u>(406,826)</u>	<u>689,701</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 26,418</u>	<u>\$1,292,006</u>	<u>\$4,712,788</u>	<u>\$6,031,212</u>	<u>\$5,885,737</u>

See accompanying notes to the financial statements

E4C Statement of Cash Flows

Year Ended December 31 2008 2007

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenditures	\$ 145,475	\$ 894,987
Non cash items:		
Amortization of capital assets	676,552	651,067
Amortization of deferred conditional grants (Note 8)	(53,600)	(61,599)
Inner City Youth Housing Project	(2,113)	(27,932)
Contributions of capital assets included in revenue	<u>-</u>	<u>(720,499)</u>
	<u>766,314</u>	<u>736,024</u>

Change in non-cash operating working capital:

Accounts receivable	203,605	(227,343)
Prepaid expenses and deposits	(13,112)	10,442
Accounts payable and accrued liabilities	342,803	90,595
Deferred revenue	<u>77,538</u>	<u>153,006</u>
	<u>1,377,148</u>	<u>762,724</u>

Financing

Repayment of long term debt	(136,768)	(130,918)
Proceeds from deferred conditional grants	<u>-</u>	<u>240,000</u>
	<u>(136,768)</u>	<u>109,082</u>

Investing

Acquisition of long term investments	(109,340)	(148,623)
Redemption of long term investments	36,403	-
Acquisition of capital assets	<u>(688,135)</u>	<u>(924,435)</u>
	<u>(761,072)</u>	<u>(1,073,058)</u>

Increase (decrease) in cash and cash equivalents 479,308 (201,252)

Cash and cash equivalents, beginning of year 1,353,741 1,554,993

Cash and cash equivalents, end of year \$ 1,833,049 \$ 1,353,741

Supplemental cash flow information

2008

2007

Cash and cash equivalents consist of:

Cash	\$ 1,687,761	\$ 1,218,155
Short term investments	<u>145,288</u>	<u>135,586</u>
	<u>\$ 1,833,049</u>	<u>\$ 1,353,741</u>

Interest paid \$ 174,506 \$ 167,951

Interest received \$ 59,084 \$ 72,768

Non-cash transaction:

Contribution of capital assets \$ - \$ 720,499

See accompanying notes to the financial statements

E4C

Notes to the Financial Statements

Year Ended December 31, 2008

1. Purpose of the organization

E4C (“the Corporation”) is incorporated under the Companies Act of the Province of Alberta, as a non-profit organization. It is a registered Canadian charitable organization, and therefore, is not subject to income taxes.

The Corporation is defined by compassion, commitment, collaboration and connection. The organization commits to change lives for the better and to grow stronger communities. For the past 38 years the Corporation has provided innovative programs giving comfort and care with transformative services that lead to positive change and increasing capacity. The Corporation has fed hungry children, sheltered the homeless, and provided services for people with mental health problems, offered youth employment training and education, provided women and street kids with shelter and provided supports to change lives.

2. New accounting policy

Capital disclosures

Effective January 1, 2008, the Corporation has adopted the new CICA Handbook section 1535 “Capital Disclosures”. This standard requires the disclosure of both qualitative and quantitative information that enables financial statement users to evaluate the objectives policies and processes the Corporation uses for managing capital. This new standard has resulted in additional disclosure included in Note 20 of the financial statements.

3. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash and short term investments

Cash and short term investments include cash on hand, balances with banks and short term investments with original maturities of three months or less.

Long term investments

Long term investments are comprised of three month term deposits renewed quarterly. These investments have been classified as long term, based on contracts with Alberta Housing and Urban Affairs and the Muttart Foundation that require that the Corporation hold fund replacement reserves.

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Notes to the Financial Statements

Year Ended December 31, 2008

3. Summary of significant accounting policies (cont'd)

Inner City Youth Housing Project

The Corporation's investment in the Inner City Youth Housing Project is accounted for using the equity method.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	5%
Building equipment	10%
Computer equipment	33%
Furniture and equipment	20%
Leaseholds	33%
Motor vehicles	20%
Office equipment	10%

Impairment of long-lived assets

Impairment of non-monetary long-lived assets, including capital assets, is recognized when the carrying amount of an asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from use and eventual disposition of the asset. In such situations, the asset is measured at its fair value and presented in the balance sheet at the lower of the fair value or carrying amount. This policy did not have any impact on the financial statements as at December 31, 2008.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. The most significant estimates included in these financial statements are the allowance for bad debts, useful lives of capital assets, impairment test for long lived assets and accrued liabilities. Actual results could differ from these estimates.

Deferred conditional grants

Conditional grants received are deferred and recognized as revenue of the restricted fund over the term of the agreement with the funder.

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Notes to the Financial Statements

Year Ended December 31, 2008

3. Summary of significant accounting policies (cont'd)

Fund accounting

The Corporation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund accounts for the Corporation's program delivery and administrative activities. This fund reports unrestricted resources and expenditures.

The Restricted Fund accounts for the Corporation's various projects and programs. This fund reports both internally and externally restricted resources and expenditures.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the Corporation's capital assets.

Replacement reserves

Included in the restricted fund are seven replacement reserves.

The amount of the replacement reserves for each of Our Place, Sorensen Place, Elizabeth House, Women's Emergency Accommodation Centre ("WEAC"), Meadows 1 and Meadows 2 is determined by Alberta Housing and Urban Affairs. The annual transfers for these reserves are charged to the related restricted program fund. Interest earned on the funds is credited directly to the respective replacement reserve restricted fund. Any withdrawal from replacement reserve funds is subject to the approval of Alberta Housing. In addition, the Muttart Foundation has placed external restrictions on the replacement reserve of WEAC.

The amount of the replacement reserve for the Alex Taylor Building is determined by the Muttart Foundation. Annual transfers for this reserve are charged to the unrestricted fund. Interest earned on the fund is credited directly to the replacement reserve restricted fund. Any withdrawal from the Alex Taylor Building replacement reserve is subject to approval by the Muttart Foundation.

All other replacement reserves' annual transfers and withdrawal approval are determined internally through recommendation by the Corporation's Housing Department to the Board of Directors.

Revenue recognition

Restricted contributions, including grants and donations, and restricted contract income is recognized as revenue of the appropriate restricted fund in the year the contributions are received or receivable. If the contributions are specified for use in a future period, they are deferred and recognized in the specific period.

Unrestricted contributions are recognized as revenue of the unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income earned is recognized as revenue of the related fund. Unrestricted investment income earned is recognized as revenue in the unrestricted fund.

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Notes to the Financial Statements

Year Ended December 31, 2008

3. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenues relating to rent and client fees, other, bistro operations, and interest are recognized as revenue in the appropriate fund once received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Contributed services

Volunteers assist the Corporation in carrying out certain activities. Because of the difficulty of determining the fair value and the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

Contributed materials

The Corporation receives contributions in the form of supplies or property. Contributed materials and property are recorded at fair market value as determined on the date contributed, if fair value can be reasonably determined.

Financial instruments

Effective January 1, 2007, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook section 3855, *Financial Instruments – Recognition and Measurement*, section 3865, *Hedges* and section 3861, *Financial Instruments - Disclosure and Presentation*. The application of these standards did not have an effect on the Corporation's financial position or results of operations at the transition date, or for the year ended December 31, 2007.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in excess of revenue over expenses. Financial assets classified as held-to-maturity or as loans and receivables or other financial liabilities will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value with changes in fair value recognized in net assets or deferred contributions.

As at December 31, 2008, the Corporation had the following financial instruments:

	Classification	Measurement
Financial assets		
Cash	Held- for-trading	Fair Value
Short term investments	Held- for-trading	Fair Value
Accounts receivables	Loans and receivables	Amortized cost
Long term investments	Held-for-trading	Fair Value

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Notes to the Financial Statements

Year Ended December 31, 2008

3. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities

Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Guarantee of long term debt of an arm's length party (Note 10(i))	Guarantee	Fair value

All derivative financial instruments will be reported on the balance sheet at fair value with changes in fair value recognized in excess of revenue over expenses unless the derivative is part of a hedging relationship that qualifies as a fair value hedge, cash flow hedge, or cash of a net investment in a self sustaining foreign operation. As at the transition date, and December 31, 2008, the Corporation had no embedded derivatives, derivatives, or hedging contracts.

Accounting changes

Effective January 1, 2007, the Corporation adopted CICA Handbook Section 1506 – Accounting Changes, which established criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant or reliable information.

Future accounting changes – Financial instruments presentation and disclosure

During fiscal 2007, CICA Handbook Section 3862, Financial Instruments – Disclosures, and CICA Handbook Section 3863, Financial Instruments – Presentation were issued, and which will replace CICA Handbook Section 3861 Financial Instruments – Presentation and Disclosure. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements. The Corporation anticipates that this will result in enhanced disclosure in their December 31, 2009 financial statements.

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Notes to the Financial Statements

Year Ended December 31, 2008

4. Long term investments

Long term investments consist of externally and internally restricted term deposits held for major capital repairs on various properties that support the Restricted Fund (Note 14). These term deposits are renewed on a monthly basis, but are considered long term due to their purpose and the Corporation's restricted access. Externally restricted funds are not controlled by the Corporation as approval must be obtained from Alberta Housing and Urban Affairs or The Muttart Foundation prior to the use of these funds. Internally restricted funds require approval by appropriate officials within the Corporation prior to the use of these funds. The restricted funds relate to various programs and funds as follows:

	<u>2008</u>	<u>2007</u>
Externally restricted funds		
Women's Emergency Accommodation Centre	\$ 129,921	\$ 153,512
Our Place	48,076	52,348
Sorensen Place	103,330	89,584
Meadows 1	15,030	13,961
Meadows 2	37,687	34,809
Alex Taylor School	116,089	67,579
Elizabeth House	8,046	-
	<u>458,179</u>	<u>411,793</u>
Internally restricted funds		
GC Place	23,638	20,123
Stollery Place	23,518	15,136
Our Other Place	24,070	15,678
Gold Nugget Suites	64,998	63,796
Laboucane House	16,605	14,957
Holmes Place	3,411	-
	<u>156,240</u>	<u>129,690</u>
	<u>\$ 614,419</u>	<u>\$ 541,483</u>

5. Inner City Youth Housing Project

The Corporation has a 25% interest in the Inner City Youth Housing Project ("the Project"), which is co-owned by the Youth Emergency Shelter Society, Bissell Centre, Boyle Street Community Services and the Corporation. The Project was officially opened on July 9, 1993. The co-ownership agreement provided that the property shall be owned equally by the four participants and that the participants will arrange for contracts and agreements with government agencies to provide the funding necessary to finance and operate six homes, which provides housing to inner city youths in need. The co-ownership agreement further provides that on termination of the Project, any assets remaining shall be divided equally among the participants and used to provide social housing for people living in poverty.

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Notes to the Financial Statements

Year Ended December 31, 2008

5. Inner City Youth Housing Project (cont'd)

The Corporation's share of the Project's assets, liabilities and operations for the fiscal year ending March 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
Total assets	\$ 355,018	\$ 367,423
Total liabilities and reserves	<u>212,892</u>	<u>221,784</u>
Net assets	<u>\$ 142,126</u>	<u>\$ 145,639</u>
Revenues	\$ 379,470	\$ 371,609
Expenditures	<u>366,821</u>	<u>343,677</u>
Excess of revenues over expenditures	<u>\$ 12,649</u>	<u>\$ 27,932</u>
Cash from (used in):		
Operating activities	\$ 12,456	\$ 45,779
Financing activities	(2,512)	2,352
Investing activities	(27,525)	(10,504)

The Project maintains certain cash and investments subject to externally and internally imposed restrictions. During the Project's fiscal year, March 31, 2008, \$64,651 (2007 - \$nil) was repaid to Region 6 Edmonton & Area Child and Family Services Authority. This resulted in the Corporation's share of the net asset balance of \$142,146.

The participants have guaranteed mortgages for the Project and are jointly and severally liable for balances totalling \$ 648,135 (2007 - \$662,419). The ultimate liability of the Corporation with respect to the mortgage would be reduced by proceeds on disposal of the mortgaged properties and contributions by the other participants.

Management has updated their investment in the Project for the period April 1, 2008 to December 31, 2008 to reflect the revenues over expenditures earned during this time frame of \$2,113.

6. Capital assets

			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
		<u>Amortization</u>	<u>Book Value</u>	<u>Book Value</u>
Land	\$ 1,623,477	\$ -	\$ 1,623,477	\$ 1,666,533
Buildings	12,207,141	4,744,563	7,462,578	7,679,285
Building equipment	579,290	339,705	239,585	211,398
Computer equipment	26,148	24,510	1,638	-
Furniture and equipment	269,619	190,322	79,297	12,569
Leaseholds	302,365	218,713	83,652	-
Motor vehicles	214,471	136,043	78,428	6,231
Office equipment	87,828	65,198	22,630	3,688
	<u>\$15,310,339</u>	<u>\$ 5,719,054</u>	<u>\$ 9,591,285</u>	<u>\$ 9,579,704</u>

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Notes to the Financial Statements

Year Ended December 31, 2008

7. Long term debt

	<u>2008</u>	<u>2007</u>
Canadian Mortgage and Housing Corporation (CMHC) mortgage, with a renewal date of December 1, 2012, payable in monthly blended instalments of \$2,612 with interest at 4.28% per annum. Secured by the collateral mortgage over land and building occupied by Our Place with a net book value of \$193,344.	\$ 409,896	\$ 423,648
CMHC mortgage, with a renewal date of February 1, 2010, payable in monthly blended instalments of \$4,930, with interest at 3.88% per annum. Secured by the collateral mortgage over land and building occupied by the Sorensen with a net book value of \$395,955.	853,653	879,604
CMHC mortgage, with a renewal date of June 1, 2010, payable in monthly blended instalments of \$11,556, with interest at 3.84% per annum. Secured by the collateral mortgage over land and building occupied by the Women's Emergency Accommodation Centre with a net book value of \$1,302,814.	2,014,150	2,075,263
Muttart Foundation interest free loan maturing on July 1, 2027, payable in semi-annual instalments of \$4,000. Secured by the collateral mortgage over land and building occupied by Crossroads House with a net book value of \$140,494.	152,000	160,000
Royal Bank of Canada mortgage, maturing on May 1, 2009, payable in monthly blended instalments of \$942, with interest at 4.127% per annum. Secured by collateral mortgage over the land and building occupied by Gold Nugget with a net book value of \$337,485, first general assignment on rents and revenues from the property and security site specific general agreement of first interest on personal property including accounts receivable.	129,542	135,453
CMHC mortgage, with a renewal date of March 1, 2013, payable in monthly blended instalments of \$1,158, with interest at 3.90% per annum. Secured by the collateral mortgage over land and building occupied by Meadows 1 with a net book value of \$234,086 and general assignment of rents and revenues.	187,917	194,428
CMHC mortgage, with a renewal date of September 1, 2012, payable in monthly blended instalments of \$1,775, with interest at 4.63% per annum. Secured by the collateral mortgage over building and land occupied by Meadows 2 with a net book value of \$351,760 and general assignment of rents and revenues.	268,549	277,363

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Notes to the Financial Statements

Year Ended December 31, 2008

7. Long term debt (cont'd)

	<u>2008</u>	<u>2007</u>
Canadian Alternative Investment Cooperative (CAIC) mortgage, maturing on February 10, 2011, payable in monthly blended instalments of \$1,077, with interest at 5.25% per annum. Secured by the collateral mortgage over land and building occupied by Our Other Place with a net book value of \$331,943.	<u>116,837</u>	<u>123,554</u>
	<u>4,132,544</u>	<u>4,269,313</u>
Less: current portion of long term debt	<u>(278,808)</u>	<u>(133,484)</u>
	<u>\$ 3,853,736</u>	<u>\$ 4,135,829</u>

Interest on long term debt incurred during the year was \$160,076 (2007 - \$167,420) and is recorded in mortgage interest expense in the appropriate restricted funds.

The principal portion of long term debt due in each of the next five years and thereafter, assuming refinancing under similar terms, is as follows:

2009	\$ 278,808
2010	2,814,950
2011	142,410
2012	617,784
2013	166,592
Thereafter	112,000

8. Deferred conditional grants

	<u>2008</u>	<u>2007</u>
CMHC Residential Rehabilitation Assistance Program forgivable mortgage, maturing on October 1, 2017 bearing forgivable instalments of \$6,400 per annum, with interest at 8.38% Secured by Crossroads Downtown building and amortized over 15 years of the operating agreement.	<u>\$ 96,000</u>	<u>\$ 96,000</u>
CMHC Residential Rehabilitation Assistance Program forgivable mortgage, maturing on November 1, 2017 bearing forgivable instalments of \$12,000 per annum, with interest at 8.125%. Secured by Gold Nugget Suites and amortized over 15 years of the operating agreement.	<u>180,000</u>	<u>180,000</u>

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Notes to the Financial Statements

Year Ended December 31, 2008

8. Deferred conditional grants (cont'd)

	<u>2008</u>	<u>2007</u>
CMHC Residential Rehabilitation Assistance Program forgivable mortgage, maturing on October 1, 2019, bearing forgivable instalments of \$9,600 per annum, with interest at 7.875%. Secured by Home for Healing building with a net book value of \$293,957 and amortized over 15 years of the operating agreement.	144,000	144,000
CMHC Residential Rehabilitation Assistance Program forgivable mortgage maturing on September 1, 2017, bearing forgivable instalments of \$9,600 per annum with interest at 8.375%. Secured by Our Other Place building with a net book value of \$331,943 and amortized over 15 years of the operating agreement.	131,258	131,258
CMHC Residential Rehabilitation Assistance Program forgivable mortgage, maturing on July 1, 2021, bearing forgivable instalments of \$16,000 per annum with interest at 7.250%. Secured by Holmes Place building with a net book value of \$750,043 and amortized over 15 years of the operating agreement.	<u>240,000</u>	<u>240,000</u>
	<u>791,258</u>	<u>791,258</u>
Less: accumulated amortization	<u>(242,858)</u>	<u>(189,258)</u>
	<u>548,400</u>	<u>602,000</u>
Less: current portion of deferred conditional grants	<u>(53,600)</u>	<u>(53,600)</u>
	<u>\$ 494,800</u>	<u>\$ 548,400</u>

During the year, \$53,600 (2007 - \$61,599) of the deferred conditional grants was recognized as grant revenue. The above conditional grants continue to be forgivable if specific conditions as set out in the respective funding agreements are fulfilled by the Corporation.

9. Bank indebtedness

The Corporation has an overdraft protection agreement dated October 2004 with a limit of \$150,000. Collateral accounts on this protection totals \$151,604 and comprises \$103,204 from short term investments and \$48,400 from long term Alex Taylor School replacement reserves (Note 3). As of December 31, 2008 bank indebtedness was \$ nil (2007 - \$ nil).

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Notes to the Financial Statements

Year Ended December 31, 2008

10. Commitments and guarantees

- i) The Corporation has guaranteed the mortgage for the Prostitution Awareness and Action Foundation of Edmonton office building in the amount of \$177,000 (2007 - \$177,000). The amount is due by the lender on demand. The Corporation has chosen to account for this guarantee by recording at fair value until the guarantee expires. For the years ended December 31, 2008 and 2007, the fair value of this guarantee is nominal and not reflected in these financial statements.
- ii) The Corporation has signed one irrevocable letter of guarantee with the City of Edmonton for \$6,270 representing the costs of required landscaping for the Stollery Place apartment building. This letter is outstanding until the earlier of repayment demand or November 29, 2009.
- iii) The Corporation has signed an agreement to purchase natural gas for a one year term, commencing November 1, 2008, at a fixed rate.
- iv) The Corporation has commitments related to the operation of various programs in leased space. Future expected lease commitments are as follows:

2009	\$	52,059
2010		2,040
2011		2,040
2012		2,040
2013		2,040

11. Contract income

Included in contract income are contributions received from the following sources:

	<u>2008</u>	<u>2007</u>
Federal government	\$ 911,548	\$ 1,008,911
Provincial government	5,244,161	4,039,972
Municipal government	197,388	179,278
Non-government	<u>1,340,427</u>	<u>621,798</u>
	<u>\$ 7,693,524</u>	<u>\$ 5,849,959</u>

The Corporation is required to return any surplus over expenditures to Alberta Housing and Urban Affairs relating to the Our Place, Sorensen Place, Meadows 1 and Meadows 2 projects. During the current year, \$2,630 (2007 - \$89,514) has been accrued and included in accounts payable and accrued liabilities as surplus repayment to Alberta Housing and Urban Affairs.

Any surplus over expenditures relating to the Crossroads House project is to be either returned to the Edmonton Child and Family Services Authority or paid into a surplus retention reserve. During the current year, there was a surplus of \$355 (2007 - \$nil).

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Notes to the Financial Statements

Year Ended December 31, 2008

12. Endowment fund income

During the year, the Corporation received \$ nil (2007 - \$7,507) in income from endowment funds held and administered by the Edmonton Community Foundation ("ECF"). The Corporation is the specified recipient of the income earned on these funds, but has no access to the principal amount of the investment. The money received is included in the unrestricted fund in the Statement of Operations to be used at the discretion of the Corporation. As of December 31, 2008, the balance of the endowment funds that the Corporation is specified as a recipient of the income earned is \$135,930 (2007 - \$166,817).

13. Administration fees and recovery

The Corporation provides administrative services to many of its programs. The fees for these services are recorded as revenues to the Unrestricted Fund and expenditures to the related restricted programs' fund and are disclosed as administration fees and recovery in the statement of operations.

The revenue and expenditures related to the above services are eliminated from total revenues and expenditures for the Corporation in the statement of operations.

14. Restricted fund

The restricted fund recognizes any excess or deficiency of revenue over expenditures incurred for the delivery of a variety of programs where the programs contain funds both restricted at the funders' request (external) and by the Board of Directors (internal). In addition to the fund balances for individual programs, the restricted fund includes reserves restricted for various purposes:

	<u>2008</u>	<u>2007</u>
Housing Department Reserve (Note 15)	\$ 80,857	\$ 80,857
Investment Fund	147,754	145,640
Replacement Reserve (Note 15)	644,968	595,398
Fighting Hunger Nutrition Fund (Note 15)	631,468	601,468
Trust Fund	247,711	133,973
Program Funds	<u>(460,752)</u>	<u>(433,027)</u>
	<u>\$ 1,292,006</u>	<u>\$ 1,124,308</u>

Of the restricted amounts included in Program Funds, \$156,240 (2007 - \$129,690) has been internally restricted by the Board of Directors.

The replacement reserve fund balance is externally and internally restricted for use towards major capital repairs. During 2008, \$50,415 (2007 - \$50,415) was transferred from various programs within the restricted fund into this reserve.

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Notes to the Financial Statements

Year Ended December 31, 2008

14. Restricted fund (cont'd)

During 2008, \$30,000 (2007 - \$344,716) in funds were internally restricted by the Board of Directors for the Fighting Hunger Nutrition Fund and removed from individual program funds. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

During 2008, the Board of Directors internally restricted funds of \$ nil (2007 - \$53,865) for future operating and emergency expenses, planned and budgeted program enhancements, capital acquisitions and planned new initiatives of the Housing Department. These internally restricted amounts were transferred from various programs into this fund, and these amounts are not available for other purposes without approval by the Board of Directors.

15. Interfund transfers

The invested in capital assets fund balance is internally restricted to represent net assets invested in capital assets. During 2008, \$689,701 (2007 - \$130,366) of these funds were transferred from various restricted program funds and unrestricted funds representing the purchase of capital assets, and the repayment of the related debt on those assets.

The replacement reserve fund balance is externally and internally restricted for use towards major capital repairs. During 2008, \$23,400 (2007 - \$23,400) was transferred from the unrestricted fund into this reserve.

16. Donations and grants income

	<u>2008</u>	<u>2007</u>
Grants - invested in capital assets fund	\$ <u>133,600</u>	\$ 547,903
Donations	179,397	268,187
Grants	<u>-</u>	<u>100,000</u>
Total for the unrestricted fund	<u>179,397</u>	<u>368,187</u>
Donations	1,144,679	1,070,315
Grants	1,087,898	1,102,375
Fundraising	<u>29,600</u>	<u>73,821</u>
Total for restricted fund	<u>2,262,177</u>	<u>2,246,511</u>
Total	<u>\$ 2,575,174</u>	<u>\$ 3,162,601</u>

17. Collaborative projects

Included in the financial statements of the Corporation are the results of operating several collaborative projects where the Corporation is acting in the role of fiscal agent. These projects have been accounted for as controlled organizations and the financial position and results of operations have been consolidated in the financial statements.

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Notes to the Financial Statements

Year Ended December 31, 2008

17. Collaborative projects (cont'd)

Project descriptions are as follows:

Housing Support Services Hub

The Housing Support Services Hub is a collaboration of Edmonton human service organizations supporting individuals who are homeless or at risk of becoming homeless. Through resource sharing, collective knowledge building and service coordination, the Hub project presents a model on how to foster a culture of collaboration to improve housing outcomes for families and individuals facing homelessness in our community.

Funding to the project is provided to the Corporation from Homeward Trust Edmonton through a Funding Agreement. The Funding Agreement names the Corporation as the Host Agency, where ultimate responsibility to ensure that the project carries out its objectives, fulfills its obligations to the funder and to the community, and implements its operating budget rests with the Corporation. The Corporation guarantees all liabilities of the collaboration.

Edmonton Head Start

Edmonton Head Start is a project that is co-ordinated by the Corporation to deliver half-day Head Start programming by three not-for-profit organizations; ABC Head Start, the Corporation and Oliver Centre, to across 15 locations in the City of Edmonton. The three participant organizations in the project have a common mission to prepare children for a successful educational experience in partnership with their family and community.

Funding to the project is provided to E4C from the Public Health Agency of Canada through a Contribution Agreement. The Contribution Agreement names E4C as the Sponsoring Organization, where ultimate responsibility to implement the project's operating budget and to ensure that programs are fulfilling their obligations to the funder and to the community rests with the Corporation. The Corporation guarantees all liabilities of the collaboration.

Community Partnership Enhancement Fund - MAPS Alberta Capital Region

MAPS Alberta Capital Region Project promotes and implements partnership strategies including community mapping with the Edmonton Region. The project is intended to strengthen Child and Family Services in Region 6 and Edmonton Family and Community Support Services partnerships by supporting community mobilization and planning that benefits children, youth and families.

Funding is provided to the Corporation from the City of Edmonton through a Professional Service Agreement to administer MAPS Alberta Capital Region project finances and to employ the project's personnel.

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Notes to the Financial Statements

Year Ended December 31, 2008

18. Fundraising activities

The following additional information has been included to comply with the Canadian Centre for Philanthropy "Ethical Fundraising and Financial Accountability Code."

The total expenses incurred for the fundraising events were \$19,631 (2007 - \$21) and the gross contributions received under such activities for fiscal 2008 were \$64,236 (2007 - \$284,117). Of the total expenditures recorded in the financial statements, no amounts represent expenditures paid to other charitable organizations or activities.

Total donations receipted for income tax purposes in fiscal 2008 were \$1,815,254 (2007 - \$1,293,481), the total amount of government grants recognized in the 2008 financial statements were \$6,353,097 (2007 - \$5,228,161), and the total amount of non-government grants and contributions recognized were \$1,340,427 (2007 - \$621,798).

19. United Way Funding

United Way of the Alberta Capital Region ("United Way") provided funding to the Corporation and its programs through designated maintenance funding, special mailings, and donor designations in the amount of \$456,151 (2007 - \$290,682).

20. Capital disclosures

The Corporation defines capital managed as the aggregate of net assets, deferred conditional grants and debt. The Corporation's objectives when managing capital are to ensure that the Corporation will continue as a going concern, will sustain current and future operations and growth and will preserve the long term value of the Corporation.

The Corporation is subject to risks associated with debt financing, including the possibility that existing debt may not be refinanced in the future, or may not be refinanced on as favorable terms, including the respective interest rates, as those of the existing debt. However, the purpose of the Corporation includes the provision of affordable housing where a portion of the debt incurred in property development is specifically and intentionally tied to forgivable government funding for the purpose of the operation of affordable housing. This relationship serves to somewhat limit the risk as it exists in the open marketplace. The Corporation manages its capital structure with objectives to achieve long term stability and the continued capacity to grow in order to further the Corporation's mission.

At December 31, 2008, the Corporation has continued to meet all externally imposed capital requirements.

E4C**Notes to the Financial Statements**

Year Ended December 31, 2008

21. Financial instruments

The Corporation's financial instruments consist of cash, short term investments, accounts receivable, deposits, long term investments, accounts payable and accrued liabilities, long term debt and deferred conditional grants, and a guarantee. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

Fair value

The estimated fair value of cash, short term investments, accounts receivable, long term investments, and accounts payable and accrued liabilities approximates carrying value due to the relatively short term nature of the instruments. The estimated fair value of the long term debt and the deferred conditional grants approximates the net carrying value, as management believes the respective interest rates are commensurate with the credit, interest rate, and prepayment risks involved. The fair value of the guarantee approximates its carrying value of \$nil as management believes that the value is commensurate with the likelihood the guarantee will be called upon, and the relative value of the debt guaranteed.

22. Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year presentation.

23. Subsequent events

On March 16, 2009, the Corporation acquired a nine unit rooming house with a fair value of \$418,500 based on the property's appraised value.