

Financial Statements

E4C

December 31, 2007

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Auditors' Report

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To the Members of E4C

We have audited the statement of financial position of the E4C as at December 31, 2007 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, 2007 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
March 31, 2008

Grant Thornton LLP
Chartered Accountants

E4C**Statement of Financial Position**

December 31

2007

2006

Assets

Current

Cash	\$ 1,218,155	\$ 1,422,105
Short term investments	135,586	132,888
Accounts receivable	649,013	421,670
Prepaid expenses and deposits	<u>18,456</u>	<u>28,898</u>
	2,021,210	2,005,561

Long term investments (Note 4)

541,483

392,860

Inner City Youth Housing Project (Note 5)

145,639

117,707

Capital assets (Note 6)

9,579,7048,585,837\$ 12,288,036\$ 11,101,965

Liabilities

Current

Accounts payable and accrued liabilities	\$ 923,743	\$ 833,148
Deferred revenue	607,243	454,237
Current portion of long term debt (Note 7)	133,484	127,938
Current portion of deferred conditional grants (Note 8)	<u>53,600</u>	<u>37,600</u>
	1,718,070	1,452,923

Long term debt (Note 7)

4,135,829

4,272,293

Deferred conditional grants (Note 8)

548,400385,9996,402,2996,111,215**Net assets**

Unrestricted

190,591

407,139

Restricted (Note 14)

1,124,308

941,643

Invested in capital assets

4,570,8383,641,9685,885,7374,990,750\$ 12,288,036\$ 11,101,965

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 2007</u>	<u>Total 2006</u>
Revenues					
Contract income (Note 11)	\$ -	\$ 5,849,959	\$ -	\$ 5,849,959	\$ 5,414,395
Donations and grants (Note 16)	368,187	2,246,511	547,903	3,162,601	2,967,149
Contribution of land and building in support of the Northeast Teen Centre (Note 6)	-	-	720,499	720,499	-
Bistro operations	-	288,117	-	288,117	352,170
Rents and client fees	-	630,401	-	630,401	514,538
Other	104,846	215,512	-	320,358	233,976
Interest	26,637	46,131	-	72,768	55,623
Member contributions	19,694	-	-	19,694	32,938
	<u>519,364</u>	<u>9,276,631</u>	<u>1,268,402</u>	<u>11,064,397</u>	<u>9,570,789</u>
Expenditures					
Wages and benefits	510,460	4,417,275	-	4,927,735	4,314,422
Client and other	442,456	2,163,934	12,869	2,619,259	2,404,722
Contracted supplies	-	873,023	-	873,023	857,146
Amortization of capital assets	-	-	651,067	651,067	595,414
Headstart expenses	-	609,856	-	609,856	600,547
Professional fees	127,560	55,233	-	182,793	58,245
Mortgage interest	-	167,420	-	167,420	149,202
Administration fees and recovery (Note 13)	(562,002)	562,002	-	-	-
Nutrition snack school payments	-	166,189	-	166,189	177,757
	<u>518,474</u>	<u>9,014,932</u>	<u>663,936</u>	<u>10,197,342</u>	<u>9,157,455</u>
	890	261,699	604,466	867,055	413,334
Inner City Youth Housing Project (Note 5)	-	27,932	-	27,932	116
Excess of revenues over expenditures	\$ 890	\$ 289,631	\$ 604,466	\$ 894,987	\$ 413,450

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	<u>Total</u> <u>2007</u>	Total <u>2006</u>
Net assets, beginning of year	\$ 407,139	\$ 941,643	\$3,641,968	\$4,990,750	\$4,577,300
Excess of revenues over expenditures	890	289,631	604,466	894,987	413,450
Interfund transfers (Note 15)					
Restricted	(23,400)	23,400	-	-	-
Capital	<u>(194,038)</u>	<u>(130,366)</u>	<u>324,404</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 190,591</u>	<u>\$1,124,308</u>	<u>\$4,570,838</u>	<u>\$5,885,737</u>	<u>\$4,990,750</u>

See accompanying notes to the financial statements

E4C**Statement of Cash Flows**

Year Ended December 31

2007**2006**

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenditures	\$ 894,987	\$ 413,450
Non cash items:		
Amortization of capital assets	651,067	595,414
Amortization of deferred conditional grants (Note 8)	(61,599)	(36,601)
Inner City Youth Housing Project	(27,932)	(116)
Contributions of capital assets included in revenue	<u>(720,499)</u>	<u>-</u>
	736,024	972,147

Change in non-cash operating working capital:

Accounts receivable	(227,343)	23,883
Prepaid expenses and deposits	10,442	(19,587)
Accounts payable and accrued liabilities	90,595	(37,678)
Deferred revenue	<u>153,006</u>	<u>15,111</u>
	<u>762,724</u>	<u>953,876</u>

Financing

Proceeds from long term debt	-	492,284
Repayment of long term debt	(130,918)	(188,807)
Proceeds from deferred conditional grants	<u>240,000</u>	<u>-</u>
	<u>109,082</u>	<u>303,477</u>

Investing

Acquisition of long term investments	(148,623)	(56,960)
Acquisition of capital assets	<u>(924,435)</u>	<u>(573,370)</u>
	<u>(1,073,058)</u>	<u>(630,330)</u>

(Decrease) increase in cash and cash equivalents (201,252) 627,023

Cash and cash equivalents, beginning of year 1,554,993 927,970Cash and cash equivalents, end of year \$ 1,353,741 \$ 1,554,993**Supplemental cash flow information****2007****2006**

Cash and cash equivalents consist of:

Cash	\$ 1,218,155	\$ 1,422,105
Short term investments	<u>135,586</u>	<u>132,888</u>
	<u>\$ 1,353,741</u>	<u>\$ 1,554,993</u>

Interest paid \$ 167,951 \$ 148,830Interest received \$ 72,768 \$ 55,623

Non-cash transaction:

Contribution of capital assets (Note 6) \$ 720,499 \$ -

See accompanying notes to the financial statements

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Notes to the Financial Statements

Year Ended December 31, 2007

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 responds to the needs of disadvantaged people through program delivery, coordination, and advocacy in partnership with other individuals and organizations in order to create healthier communities for all. For the past 37 years 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 counselling and provided supports to change lives.

2. Change in accounting policy

Effective January 1, 2007, the Corporation adopted the recommendations of 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, 2007, 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
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

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Notes to the Financial Statements

Year Ended December 31, 2007

2. Change in accounting policy (cont'd)

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, 2007, the Corporation had no embedded derivatives, derivatives, or hedging contracts.

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.

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 one month term deposits renewed monthly. These investments have been classified as long term, based on contracts with Alberta Seniors and the Muttart Foundation that require that the Corporation hold fund replacement reserves.

Inner City Youth Housing Project

The Corporation's investment in the Inner City Youth Housing Project is accounted for by 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%

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Notes to the Financial Statements

Year Ended December 31, 2007

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

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, 2007.

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.

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 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 six replacement reserves.

The amount of the replacement reserves for each of Our Place – Alberta Seniors, Sorensen Building, Women's Emergency Accommodation Centre (WEAC), Meadows 1 and Meadows 2 is determined by Alberta Ministry of Seniors and Community Supports ("Alberta Seniors"). 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 Seniors.

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Notes to the Financial Statements

Year Ended December 31, 2007

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

Replacement reserves (cont'd)

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 are 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.

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

Contributed materials are recorded at fair market value as determined on the date contributed.

Future accounting changes – Capital Disclosure

In November 2006, CICA Handbook Section 1535, Capital Disclosures, was issued. This standard requires the disclosure of both qualitative and quantitative information that enables financial statement users to evaluate the objectives and processes for managing capital. This new standard will be implemented by the organization effective January 1, 2008. The Corporation anticipates that this will result in additional disclosure.

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Notes to the Financial Statements

Year Ended December 31, 2007

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

Future accounting changes – Financial Instruments

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 additional disclosure.

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 Seniors 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>2007</u>	<u>2006</u>
Externally Restricted Funds		
Women's Emergency Accommodation Centre	\$ 153,512	\$ 170,455
Our Place	52,348	51,107
Sorensen Building	89,584	87,458
Meadow's 1	13,961	-
Meadow's 2	34,809	-
	<u>344,214</u>	<u>309,020</u>
Internally Restricted Funds		
Alex Taylor School (Administration Fund)	67,579	42,695
GC Place	20,123	-
Stollery Place	15,136	-
Our Other Place	15,678	-
Gold Nugget	63,796	36,719
Mental Health House	14,957	4,426
	<u>197,269</u>	<u>83,840</u>
	<u>\$ 541,483</u>	<u>\$ 392,860</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 Co-operative, and the Corporation. The Project was officially opened on July 9, 1993.

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Notes to the Financial Statements

Year Ended December 31, 2007

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

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.

The Corporation's share of the Project's assets, liabilities and operations are as follows:

	<u>2007</u>	<u>2006</u>
Total assets	\$ 367,423	\$ 332,403
Total liabilities and reserves	<u>221,784</u>	<u>214,696</u>
Net assets	<u>\$ 145,639</u>	<u>\$ 117,707</u>
Revenue	\$ 371,609	\$ 319,912
Expenses	<u>343,677</u>	<u>319,796</u>
Change in fund balances	<u>\$ 27,932</u>	<u>\$ 116</u>
Cash from (used in):		
Operating activities	\$ 45,779	\$ 19,845
Financing activities	2,352	(1,512)
Investing activities	(10,504)	(11,679)

The Project maintains certain cash and investments subject to externally and internally imposed restrictions.

The participants have guaranteed mortgages for the Project and are jointly and severally liable for balances totalling \$662,419 (2006 - \$682,863). 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.

6. Capital assets

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,666,533	\$ -	\$ 1,666,533	\$ 1,299,635
Buildings	11,813,490	4,134,205	7,679,285	6,992,571
Building equipment	491,812	280,414	211,398	280,202
Computer equipment	23,703	23,703	-	-
Furniture and equipment	186,609	174,040	12,569	1,672
Leaseholds	214,311	214,311	-	-
Motor vehicles	119,429	113,198	6,231	9,347
Office equipment	66,371	62,683	3,688	2,410
	<u>\$14,582,258</u>	<u>\$ 5,002,554</u>	<u>\$ 9,579,704</u>	<u>\$ 8,585,837</u>

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Notes to the Financial Statements

Year Ended December 31, 2007

6. Capital assets (cont'd)

During 2007 the Corporation received contributed capital assets consisting of land and building. The estimated fair value of the land and building was determined to be \$220,499 and \$500,000 respectively and is included in the above assets. The \$720,499 total of the contribution was recognized as donation and grant income in the current year in the invested in capital assets fund.

7. Long term debt

	<u>2007</u>	<u>2006</u>
Canadian Mortgage and Housing Corporation (CMHC) mortgage, maturing on December 1, 2027, payable in monthly instalments of \$2,668, with interest at 4.53% per annum. Secured by the collateral mortgage over land and building occupied by Our Place with a net book value of \$205,077.	\$ 423,648	\$ 436,543
CMHC mortgage, maturing on December 1, 2029, payable in monthly instalments of \$4,930, with interest at 3.88% per annum. Secured by the collateral mortgage over land and building occupied by the Sorensen (17 Units) with a net book value of \$438,340.	879,604	904,578
CMHC mortgage, maturing on January 1, 2030, payable in monthly 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 \$1,404,329.	2,075,263	2,134,100
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 \$147,118.	160,000	168,000
Royal Bank of Canada mortgage, maturing on May 1, 2024, payable in monthly 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 \$362,275, 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.	135,453	141,128
CMHC mortgage, maturing on January 1, 2028, payable in monthly instalments of \$1,238, with interest at 4.70% per annum. Secured by the collateral mortgage over land and building occupied by Meadows 1 with a net book value of \$239,406 and general assignment of rents and revenues.	194,428	200,162

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Notes to the Financial Statements

Year Ended December 31, 2007

7. Long term debt (cont'd)	<u>2007</u>	<u>2006</u>
CMHC mortgage, maturing on September 1, 2027, payable in monthly instalments of \$1,789, with interest at 4.73% per annum. Secured by the collateral mortgage over building and land occupied by Meadows 2 with a net book value of \$314,000 and general assignment of rents and revenues.	277,363	285,789
Canadian Alternative Investment Cooperative (CAIC) mortgage, maturing on February 10, 2011, payable in monthly 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 \$350,702.	<u>123,554</u>	<u>129,931</u>
	<u>4,269,313</u>	<u>4,400,231</u>
Less: current portion of long term debt	<u>133,484</u>	<u>127,938</u>
	<u>\$ 4,135,829</u>	<u>\$ 4,272,293</u>

Interest on long term debt incurred during the year was \$167,420 (2006 - \$149,202) 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:

2008	\$ 133,484
2009	138,717
2010	144,170
2011	149,853
2012	155,775
Thereafter	3,547,314

8. Deferred conditional grants	<u>2007</u>	<u>2006</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.	\$ 96,000	\$ 96,000
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.	180,000	180,000

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Notes to the Financial Statements

Year Ended December 31, 2007

8. Deferred conditional grants (cont'd)

	<u>2007</u>	<u>2006</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 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 and amortized over 15 years of the operating agreement.	131,258	131,258
CMHC Residential Rehabilitation Assistance Program forgivable mortgage, maturing on July 1, 2012, bearing forgivable instalments of \$24,000 per annum with interest at 7.250%. Secured by Holmes Place building and amortized over 15 years of the operating agreement.	<u>240,000</u>	-
	<u>791,258</u>	551,258
Less: accumulated amortization	<u>189,258</u>	127,659
	<u>602,000</u>	423,599
Less: current portion of deferred conditional grants	<u>53,600</u>	37,600
	<u>\$ 548,400</u>	<u>\$ 385,999</u>

During the year, \$61,599 (2006 - \$36,601) of the deferred conditional grants was recognized as grant revenue. The above mortgages 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, 2007 bank indebtedness was \$nil (2006 - \$nil).

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Notes to the Financial Statements

Year Ended December 31, 2007

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 (2006 - \$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 year ended December 31, 2007 the fair value is nominal and not reflected in these financial statements.
- ii) The Corporation has signed two irrevocable letters of guarantees with the City of Edmonton for an aggregate of \$21,270 representing the costs of required improvements for the back alley and landscaping for the Stollery Place apartment building. These letters are outstanding until the earlier of repayment demand or November 29, 2008.
- iii) The Corporation has signed an agreement to purchase natural gas for a five year term, commencing November 1, 2006, at a fixed rate.

11. Contract income

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

	<u>2007</u>	<u>2006</u>
Federal Government	\$ 1,008,911	\$ 918,021
Provincial Government	4,574,940	4,129,924
City of Edmonton	<u>266,108</u>	<u>366,450</u>
	<u>\$ 5,849,959</u>	<u>\$ 5,414,395</u>

The Corporation is required to return any surplus over expenditures to Alberta Seniors relating to the Our Place and Sorensen Building projects. During the current year, \$89,514 (2006 - \$3,052) has been accrued and included in accounts payable and accrued liabilities as surplus repayment to Alberta Seniors.

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 no surplus (2006 - \$nil).

12. Endowment fund income

During the year, the Corporation received \$7,507 (2006 - \$7,010) 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, 2007, the balance of the endowment funds that the Corporation is specified as a recipient of the income earned is \$166,817 (2006 - \$166,817).

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Notes to the Financial Statements

Year Ended December 31, 2007

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 expenses to the related restricted programs' fund and are disclosed as administration fees and recovery in the statement of operations.

The revenue and expenses related to the above services are eliminated from total revenues and expenses 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 the following fund balances:

	<u>2007</u>	<u>2006</u>
Housing Department Reserve (Note 15)	\$ 80,857	\$ 26,992
Investment Fund	145,640	117,707
Replacement Reserve (Note 15)	544,996	471,181
Fighting Hunger Nutrition Fund (Note 15)	601,468	256,752
Trust Fund	274,243	204,108

15. Interfund transfers

The invested in capital assets fund balance is internally restricted for the purpose of capital asset purchases. During 2007, \$130,366 (2006 - \$119,342) of these funds were transferred from various restricted program funds for the purpose of purchasing capital assets, and repaying the related debt on those assets.

The replacement reserve fund balance is externally and internally restricted for use towards major capital repairs. During 2007, \$50,415 (2006 - \$86,173) was transferred from various programs into this reserve, and \$23,400 (2006 - \$23,400) was transferred from the unrestricted fund into this reserve.

During 2007, \$344,716 (2006 - \$nil) in funds were internally restricted by the Board of Directors for the Fighting Hunger Nutrition Fund. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

During 2007, the Board of Directors internally restricted funds of \$53,865 (2006 - \$13,496) 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.

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Notes to the Financial Statements

Year Ended December 31, 2007

16. Donations and grants income

	<u>2007</u>	<u>2006</u>
Donations - invested in capital assets fund	\$ <u>547,903</u>	\$ <u>107,900</u>
Donations	219,527	426,582
Grants	<u>148,660</u>	<u>166,000</u>
Total for the unrestricted fund	<u>368,187</u>	<u>592,582</u>
Donations	1,797,665	1,747,191
Grants	309,140	385,585
Fundraising	<u>139,706</u>	<u>133,891</u>
Total for restricted fund	<u>2,246,511</u>	<u>2,266,667</u>
Total	<u>\$ 3,162,601</u>	<u>\$ 2,967,149</u>

17. Fundraising activities

The following additional information has been included to comply with the Corporation's 2005 adoption of the Canadian Centre for Philanthropy "Ethical Fundraising and Financial Accountability Code."

The total expenses incurred for the fundraising events were \$21 (2006 - \$50,792) and the gross contributions received under such activities for fiscal 2007 were \$284,117 (2006 - \$285,724). Of the total expenditures recorded on the financial statements, no amounts represent expenditures paid to other charitable organizations or activities.

Total donations receipted for income tax purposes in fiscal 2007 were \$1,293,481 (2006 - \$980,800), total amount of government grants recognized in the 2007 financial statements were \$5,849,959 (2006 - \$5,153,914), and the total amount of non-government grants and contributions recognized were \$1,987,046 (2006 - \$2,580,752).

18. 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 \$290,682 (2006 - \$277,015).

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Year Ended December 31, 2007

19. Financial instruments

The Corporation's financial instruments consist of cash, short term investments, accounts receivables, 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 receivables, 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.

20. Comparative figures

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