

**Non-Consolidated Financial Statements of**  
**HOMEWARD TRUST EDMONTON**  
December 31, 2010

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**HOMeward TRUST EDMONTON**  
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December 31, 2010

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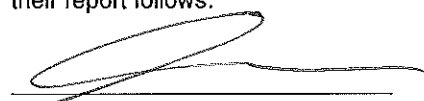
## MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Management is responsible for the preparation and presentation of the financial statements and all other information in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data presented elsewhere in the annual report are consistent with the information contained in the financial statements.

Management maintains a system of internal controls which provides reasonable assurance that the assets of the Trust are safeguarded and which facilitates the preparation of timely, relevant and reliable financial information which reflects, when necessary, management's best estimates and judgements based on informed knowledge of the facts.

The Board of Directors is responsible for determining that management fulfils its responsibilities in the preparation of financial statements and the financial control of operations. The Board of Directors has reviewed the financial statements, and the Management's Discussion and Analysis with management and have recommended their approval. The independent auditors have unrestricted access to the Board of Directors.

The financial statements have been examined by Coyle & Company, Chartered Accountants, and their report follows.



Susan McGee  
Executive Director



Ron Gregg  
Director Business Services

## **INDEPENDENT AUDITORS' REPORT**

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To the Board of Directors of  
Homeward Trust Edmonton

We have audited the accompanying non-consolidated financial statements of Homeward Trust Edmonton, which comprise the non-consolidated statement of financial position as at December 31, 2010, and the non-consolidated statements of revenues and expenditures, changes in net assets and 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 non-consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 non-consolidated 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 auditor's 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 auditor considers 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

As explained in Note 2, the Trust does not consolidate the financial statements of its subsidiary company. The investment in subsidiary is accounted for using the cost method, which is not in accordance with Canadian generally accepted accounting principles. Had consolidated financial statements been prepared, the investment in subsidiary of \$1 would be eliminated and the due from related party in the amount of \$1,225,107 would be eliminated and replaced with a due from Umisk Receivership in the amount of \$1,225,107.

In common with many not-for-profit organizations, the Trust derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the

records of the Trust and we were not able to determine whether any adjustments might be necessary to donations or fundraising, excess of revenues over expenditures, current assets and fund balances.

**Qualified Opinion**

In our opinion, except for the effects of failing to consolidate its subsidiary investment, and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and fundraising referred to in the preceding paragraphs, these non-consolidated financial statements present fairly, in all material respects the financial position of Homeward Trust Edmonton as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Coyte & Company*  
Coyte & Company  
Chartered Accountants

May 30, 2011  
Edmonton, Alberta

**HOMeward TRUST EDMONTON**  
**Non-Consolidated Statement of Financial Position**  
**December 31, 2010**

ASSETS	2010	2009 (Restated)
<b>CURRENT ASSETS</b>		
Cash (Note 4)	\$ 6,622,236	\$ 15,013,015
Short term investment (Note 5)	12,987	12,922
Contributions receivable	13,344,131	8,625,310
Accounts receivable	157,146	29,307
Prepaid expenses	33,212	17,289
Land held for development / sale	1,385,004	-
Due from related party (Note 6)	1,225,107	781,514
	<u>22,779,823</u>	<u>24,479,357</u>
INVESTMENT IN SUBSIDIARY (Note 7)	1	1
EQUIPMENT (Note 8)	72,426	55,468
	<u>\$ 22,852,250</u>	<u>\$ 24,534,826</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 261,845	\$ 123,268
Deferred revenue (Note 9)	17,217,237	21,020,231
	<u>17,479,082</u>	<u>21,143,499</u>
<b>COMMITMENTS (Note 10)</b>		
<b>NET ASSETS</b>		
Unrestricted net assets:		
Unrestricted General Fund	857,486	907,703
Externally Restricted Fund	3,590,682	1,558,624
Internally restricted net assets:		
Administrative Reserve Fund (Note 11)	925,000	925,000
	<u>5,373,168</u>	<u>3,391,327</u>
	<u>\$ 22,852,250</u>	<u>\$ 24,534,826</u>

Approved by the Board of Directors:

 Director

 Director

**HOMeward TRUST EDMONTON**  
**Non-Consolidated Statement of Operations**  
For the year ended December 31, 2010

	Unrestricted General Fund	Externally Restricted Fund	Restricted Administrative Reserve	2010	2009 (Restated)
<b>REVENUE</b>					
Government of Canada	\$ -	\$ 6,803,256	\$ -	\$ 6,803,256	\$10,997,055
Province of Alberta	-	11,827,513	-	11,827,513	6,744,487
City of Edmonton	-	4,835,696	-	4,835,696	2,735,542
Administration fees and rent	197,000	-	-	197,000	62,500
Donations and fundraising	109,539	-	-	109,539	47,665
Interest	28,565	-	-	28,565	8,422
	335,104	23,466,465	-	23,801,569	20,595,671
Projects (Schedule 1)	207,414	19,447,388	-	19,654,802	17,103,907
	127,690	4,019,077	-	4,146,767	3,491,764
<b>EXPENDITURES</b>					
Salaries and benefits	87,751	1,452,649	-	1,540,400	1,026,898
Rent and occupancy costs	-	184,679	-	184,679	175,927
Professional fees	-	109,547	-	109,547	125,544
Telephone	-	63,563	-	63,563	75,015
Office and other	11,198	64,690	-	75,888	55,611
Promotional	49,954	-	-	49,954	45,427
Repairs and maintenance	-	3,967	-	3,967	43,053
Travel	-	43,418	-	43,418	42,328
Insurance	-	30,988	-	30,988	19,128
Training and recruitment	-	33,518	-	33,518	18,295
Amortization	29,004	-	-	29,004	14,414
	177,907	1,987,019	-	2,164,926	1,641,640
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(50,217)	2,032,058	-	1,981,841	1,850,124

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**HOMeward TRUST EDMONTON**  
**Non-Consolidated Statement of Changes in Net Assets**  
For the year ended December 31, 2010

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	Unrestricted General Fund	Externally Restricted Fund	Restricted Administrative Reserve	2010	2009 (Restated)
<b>FUND BALANCES, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	\$ 995,368	\$18,761,685	\$ 925,000	\$ 20,682,053	\$10,687,621
<b>ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY (Note 3)</b>	(87,665)	(17,203,061)	-	(17,290,726)	(9,146,418)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	907,703	1,558,624	925,000	3,391,327	1,541,203
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(50,217)	2,032,058	-	1,981,841	1,850,124
<b>INTERFUND TRANSFER</b>	-	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	\$ 857,486	\$3,590,682	\$ 925,000	\$ 5,373,168	\$3,391,327

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**HOMeward TRUST EDMONTON**  
**Non-Consolidated Statement of Cash Flows**  
For the year ended December 31, 2010

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	2010	2009 (Restated)
<b>SOURCES OF CASH</b>		
Province of Alberta	\$1,768,343	\$13,806,836
Government of Canada	8,357,105	5,809,581
City of Edmonton	4,046,870	5,326,606
Administrative fees and rent	150,000	62,500
Interest	118,879	73,179
Donations and fundraising	56,490	47,665
	<hr/> 14,497,687	<hr/> 25,126,367
<b>USES OF CASH</b>		
Salaries and benefits	(1,591,925)	(976,609)
Materials, services and other expenses	(555,875)	(592,660)
Purchase of equipment	(45,962)	(43,576)
Funding of projects	(19,530,672)	(17,103,907)
Purchase of land held for development	(720,504)	-
	<hr/> (22,444,938)	<hr/> (18,716,752)
<b>CASH FLOWS (DEFICIENCY) FROM OPERATIONS</b>	<hr/> (7,947,251)	<hr/> 6,409,615
<b>FINANCING AND INVESTING</b>		
Advances to related party	(443,593)	(781,513)
Investment in short term investment, net	65	(104)
	<hr/> (443,528)	<hr/> (781,617)
<b>INCREASE (DECREASE) IN CASH FLOW FOR THE YEAR</b>	<hr/> (8,390,779)	<hr/> 5,627,998
<b>CASH, BEGINNING OF YEAR</b>	<hr/> 15,013,015	<hr/> 9,385,017
<b>CASH, END OF YEAR</b>	<hr/> <u>\$6,622,236</u>	<hr/> <u>\$15,013,015</u>

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**HOMeward TRUST EDMONTON**  
**Notes to Non-Consolidated Financial Statements**  
December 31, 2010

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**Note 1**  
Nature of Organization

Homeward Trust Edmonton (the Trust) is the community's comprehensive housing body: it is a not-for-profit organization that provides leadership and resources towards ending homelessness in Edmonton, Alberta. By working in partnership with a diverse set of stakeholders and groups, Homeward Trust Edmonton works to fulfill its mission by providing leadership in housing, administering resources, and coordinating standing and ad-hoc committees and events. The Trust funds housing projects for people who are homeless and those at risk of becoming homeless.

The Trust established the Homeward Trust Foundation, pursuant to the Societies Act, to act as Trustee on the Trust's behalf.

Homeward Trust Edmonton was created in 2008 following governance reviews of the Edmonton Housing Trust Fund (EHTF) and the Edmonton Joint Planning Committee on Housing (EJPCOH) and is exempt from income tax.

**Note 2**  
Significant Accounting Policies

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

**a) Fund accounting**

**i) Externally Restricted Fund**

The Externally Restricted Fund reports restricted contributions, including contributions which have been designated for specific purposes and / or funding periods by the contributors. The fund also reports expenses confirmed, or anticipated to be, funded by restricted resources.

**ii) Unrestricted General Fund**

The Unrestricted General Fund reports unrestricted funding available for general purposes and accounts for fundraising, donations and other activities. The fund also reports expenses which are funded by unrestricted resources.

**iii) Administrative Reserve Fund**

The Administrative Reserve Fund reports internally restricted net assets set aside in order to carry out fiduciary duties with respect to the projects funded at the conclusion of the funding agreements with the Government of Canada, the Province of Alberta and The City of Edmonton.

**b) Revenue recognition**

The Trust follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the Externally Restricted Fund in the year in which the restriction has been fulfilled. For contributions restricted for specific expenses, the revenue is recognized in the year in which the related expenses are incurred. For contributions restricted in timing only, revenue is recognized in the applicable fiscal year. Contributions received in advance for future funding periods or the expenses of future periods are reported as deferred revenue.

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

Management fees and rent income are recognized in the month earned if collection is reasonably assured.

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**HOMeward TRUST EDMONTON**  
**Notes to Non-Consolidated Financial Statements**  
December 31, 2010

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**Note 2**  
**Significant Accounting**  
**Policies, continued**

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Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

**a) Short term investment**

Short term investment consisting of a guaranteed investment certificate is recorded at cost plus accrued interest which approximates fair value.

**b) Investment in subsidiary**

Investment in subsidiary is accounted for using the cost method.

**c) Equipment**

The Trust records its equipment at cost. Amortization is recorded to amortize the cost of the assets over their estimated useful lives as detailed below:

Furniture and fixtures	5 years straight-line
Office equipment	5 years straight-line
Computer equipment	3 years straight-line

**d) Measurement uncertainty**

The preparation of non-consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenue and expenses during the period. Such estimates include the useful lives of equipment, and the valuation of contributions receivable and accounts receivable. Actual results could differ from these estimates.

**e) Contributed goods and services**

The Trust recognizes contributed goods at fair value at the date of contribution to the extent that the fair value can be reasonably determined. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**f) Future changes in significant accounting policies**

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the Trust. Early adoption of these standards which becomes mandatory for year ends beginning January 1, 2012, is permitted.

The Accounting Standards Board implemented Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2011. The Trust is currently evaluating the effect of adopting these standards, which it expects to do so in its December 31, 2012 year end.

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**HOMeward TRUST EDMONTON**  
**Notes to Non-Consolidated Financial Statements**  
December 31, 2010

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**Note 3**  
Change in Accounting Policy

a) **Revenue recognition**

During the year, the Trust changed its revenue recognition policy from the restricted fund method to the deferral method of accounting for restricted contributions. The Trust has maintained fund accounting but now defers restricted revenue for which the restriction remains unfulfilled. Management feels that the change is preferable and will enable users to better identify unutilized funding provided by funders.

This change in accounting policy is applied retrospectively, resulting in a decrease in 2009 opening Externally Restricted Fund and an increase in deferred revenue in the amount of \$9,146,418, a decrease in 2009 excess revenue over expenditures and increase in deferred revenue in the amount of \$8,056,644.

**Note 4**  
Cash

Cash earns interest at prime less 2% and includes \$6,425,356 of cash restricted by the Provincial Government and the City of Edmonton in accordance with their funding agreements.

**Note 5**  
Short term investment

Short term investment consisting of a guaranteed investment certificate earns interest at a fixed rate of 0.3% per annum and matures March 2011.

**Note 6**  
Due from Related Party

Due from related party represents advances made to 1075877 Alberta Ltd., the wholly owned subsidiary of the Trust. The balance includes certificate receivables totalling \$600,000 bearing interest at prime plus 2.5% with the remaining balance bearing no interest. There are no terms of repayment and the Trust has waived the interest on the certificates.

**Note 7**  
Investment in Subsidiary

The cost of investment in subsidiary is nominal and no earnings from the subsidiary have been received or are receivable.

**Note 8**  
Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010 Net Book Value</u>	<u>2009 Net Book Value</u>
Furniture and fixtures	\$ 40,951	\$ 16,972	\$ 23,979	\$ 20,582
Office equipment	61,288	33,227	28,061	13,978
Computer equipment	85,611	65,225	20,386	20,908
	<u>\$ 187,850</u>	<u>\$ 115,424</u>	<u>\$ 72,426</u>	<u>\$ 55,468</u>

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**HOMeward TRUST EDMONTON**  
**Notes to Non-Consolidated Financial Statements**  
December 31, 2010

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**Note 9**  
Deferred revenue

	Opening Balances	Received / receivable	Recognized	Ending Balances
Province of Alberta	\$13,461,342	\$11,147,554	\$11,827,513	\$ 12,781,383
City of Edmonton	7,558,889	1,045,782	4,835,696	3,768,975
Government of Canada	-	7,467,756	6,803,256	664,500
Other	-	2,379	-	2,379
	<u>\$21,020,231</u>	<u>\$19,663,471</u>	<u>\$23,466,465</u>	<u>\$ 17,217,237</u>

Included in Province of Alberta is \$75,254 of funding received for the upcoming 2011 fiscal year. Remaining deferred revenue consists of unspent funding restricted for Winter Emergency projects, Pathways to Housing project, Outreach and Community Support services and other purposes.

Included in City of Edmonton is \$309,500 of funding received for the upcoming 2011 fiscal year. Remaining deferred revenue consists of unspent funding restricted for specific transitional capital housing projects.

Due to the termination of a housing project previously approved by the Government of Canada, land purchased with grant funding was transferred from the recipient back to the Trust. The recovery of land valued at \$664,500 is considered to be restricted until an alternate use for the land, or sale proceeds from the land, is approved by the Government of Canada.

**Note 10**  
Commitments

The Trust is committed to its premise lease, expiring October 2012, with rent and related operating costs as follows:

2011	192,534
2012	<u>160,445</u>
<b>Total</b>	<b><u>\$ 352,979</u></b>

The Trust is committed to fund future housing projects as approved by the directors. Funds remaining to be advanced approximate \$27,600,000. The Trust will utilize restricted cash on hand and future government grants to fund these commitments.

**Note 11**  
Internally Restricted  
Net Assets

The Directors of the Trust internally restricted \$925,000 in the Administrative Reserve fund to be used to cover unfunded fiduciary duties with respect to the housing projects. This internally restricted amount is not available for unrestricted purposes without approval of the board of directors.

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**HOMeward TRUST EDMONTON**  
**Notes to Non-Consolidated Financial Statements**  
December 31, 2010

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**Note 12**  
Capital Management

The Trust's capital consists of the Unrestricted General Fund, the Externally Restricted Fund and the Restricted Administrative Reserve and are maintained in accordance with the policies described in Note 2.

The Restricted Administrative Reserve is restricted as described in Note 11 respectively. As a not-for-profit organization, the Trust is also restricted from distributing capital to its members. During the year, the Trust was in compliance with these restrictions.

**Note 13**  
Financial Instruments

The Trust's financial instruments consist of cash, short term investment, contributions receivable, account receivable, due from related party, investment in subsidiary and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

*Interest rate risk*

The Trust is exposed to interest rate price risk as short term investment earns interest at a fixed rate.

*Fair value*

The fair value of due from related party is not determinable as there are no terms of repayment. The fair value of investment in subsidiary is not determinable at this time as the value of housing operations under receivership by the subsidiary are under review.

**Note 14**  
Related Party Transaction

Included in the Unrestricted General Fund revenue are administrative fees of \$150,000 (2009 - \$62,500) from 1075877 Alberta Ltd., the wholly owned subsidiary, for administrative staffing and support services provided by the Trust during the year. Included in projects is \$159,458 paid to Umisk, the receivership properties held by 1075877 Alberta Ltd.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount that is agreed upon by the related parties.

**Note 15**  
Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

May 30, 2011

**Additional Comments of Auditors**

The accompanying schedule is presented as supplementary information only. In this respect, it does not form part of the non-consolidated financial statements of **Homeward Trust Edmonton** for the year ended December 31, 2010 and hence are excluded from the opinion expressed in our audit report dated May 30, 2011 to the directors on such non-consolidated financial statements. The information in these schedules have been subjected to audit procedures only to the extent necessary to express an opinion on the non-consolidated financial statements of the Trust and in our opinion, is fairly presented in all material respects to those non-consolidated financial statements.

*Coyle & Company*  
Coyle & Company  
Chartered Accountants

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**HOMeward TRUST EDMONTON**  
**Non-Consolidated Schedule of Project Expenditures**  
**For the year ended December 31, 2010**


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Community Initiatives	Conference - The Road Home	\$ 126,348
	Community Plan Commitments	56,491
	Homeless Connect	24,696
	Homeless Count	21,077
	Research & Evaluation	82,946
Capital - by agency	Canadian Mental Health Association	3,250,000
	Capital Region Housing Corporation	183,125
	Edmonton Inner City Housing Society	2,426,427
	Excel Society	20,000
	Jasper Place Health & Wellness Centre	1,619,940
Supports - by agency	Alberta Health Services	60,060
	Allendale House	89
	Bissell Centre	485,700
	Boyle McCauley Health Centre	1,414,478
	Boyle Street Community Services	1,560,603
	E4C	1,568,859
	Edmonton MATHS	96,600
	Edmonton John Howard Society	542,708
	Edmonton Mennonite Centre For Newcomers	108,541
	Furniture Bank	719,094
	George Spady Centre	400,826
	Homeless Info Data Mgt	41,617
	Hope Mission	696,717
	Housing First Team Development	152,042
	Jasper Place Health and Wellness Centre	1,340,194
	Rapid Exit Damage	212,553
	YMCA	415,260
Rental Assistance		976,623
Umisk Receivership		159,458
Winter Emergency	Boyle Street Community Services - Drop In	412,789
	Boyle Street Community Services - Van	204,405
	Jasper Place Health & Wellness Centre - Drop In	95,723
	Salvation Army - Drop In	100,340
	Fort Road Victory Church - Drop In	38,641
	Mosaic Centre - Drop In	39,832
Total Housing Projects		<u>\$19,654,802</u>