

M. D. OF ST. PAUL FOUNDATION
COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Index	Page
Auditors' Report	1
Combined Statement of Financial Position	2
Combined Statement of Operations	3
Combined Statement of Net Liabilities	4
Combined Statement of Cash Flows	5
Notes to the Combined Financial Statements	6-12

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the M.D. of St. Paul Foundation

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the **M.D. of St. Paul Foundation**, which comprise the combined statement of financial position as at December 31, 2011, and the combined statements of operations, net liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation of these combined financial statements in accordance with Canadian generally accepted accounting standards and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the M.D. of St. Paul Foundation as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

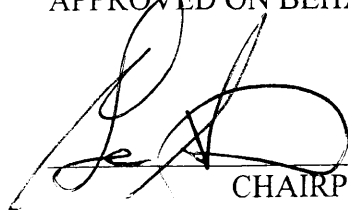
ST. PAUL, ALBERTA
February 28, 2012

Joly, McCarthy & Dion
CHARTERED ACCOUNTANTS

M. D. OF ST. PAUL FOUNDATION
 COMBINED STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and bank	\$ 216,186	\$ 181,349
Short-term investments (note 3)	150,000	200,000
Accounts receivable (note 4)	26,394	29,742
Trust account for security deposits	28,145	23,100
Prepaid expenses	<u>10,825</u>	<u>7,220</u>
	431,550	441,411
CREDIT UNION EQUITY	6,248	5,996
CAPITAL ASSETS (note 5)	<u>82,128</u>	<u>70,501</u>
	\$ <u>519,926</u>	\$ <u>517,908</u>
LIABILITIES AND NET LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 336,428	\$ 389,168
Security and damage deposits	33,645	29,100
Deferred revenue (note 6)	179,516	150,636
Current portion of long-term debt	17,773	18,748
Current portion of municipal advances	<u>187,383</u>	<u>178,202</u>
	754,745	765,854
LONG-TERM DEBT (note 8)	39,231	55,071
MUNICIPAL ADVANCES (note 9)	<u>3,214,516</u>	<u>3,401,898</u>
	<u>4,008,492</u>	<u>4,222,823</u>
NET LIABILITIES		
Unrestricted net liabilities	(3,570,694)	(3,775,416)
Net assets invested in capital assets	<u>82,128</u>	<u>70,501</u>
	<u>(3,488,566)</u>	<u>(3,704,915)</u>
	\$ <u>519,926</u>	\$ <u>517,908</u>

APPROVED ON BEHALF OF THE BOARD:



 CHAIRPERSON

M. D. OF ST. PAUL FOUNDATION
 COMBINED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
REVENUES		
Lodge Operations		
Room and board	\$ 1,843,063	\$ 1,750,301
Cable television	23,437	22,997
Guest meals	8,398	7,193
Manpower programs (note 11)	3,360	3,584
Alberta Seniors Maintenance Grant (note 11)	48,900	--
Interest and other income	<u>34,816</u>	<u>11,416</u>
	<u>1,961,974</u>	<u>1,795,491</u>
Social Housing		
Rental revenue	582,701	575,868
Sundry revenue	4,346	21,802
Utilities	39,279	35,676
Grants for restricted purposes (note 11)	<u>16,802</u>	<u>210,743</u>
	<u>643,128</u>	<u>844,089</u>
TOTAL REVENUE	<u>2,605,102</u>	<u>2,639,580</u>
EXPENSES		
Operating expenses	967,805	920,392
Maintenance expenses	270,173	655,001
Wages and benefits	1,960,910	1,931,730
Amortization	18,289	12,104
Administration	<u>279,536</u>	<u>287,465</u>
	<u>3,496,713</u>	<u>3,806,692</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(891,611)	(1,167,112)
LODGE ASSISTANCE PROGRAM GRANT (note 11)	487,812	434,646
REQUISITION FROM MUNICIPALITIES (note 11)	<u>598,724</u>	<u>817,179</u>
SURPLUS FOR THE YEAR	<u>\$ 194,925</u>	<u>\$ 84,713</u>

M. D. OF ST. PAUL FOUNDATION
 COMBINED STATEMENT OF NET LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Invested in Capital <u>Assets</u>	Unrestricted <u>Net Liabilities</u>	Total <u>2011</u>	Total <u>2010</u>
BALANCE, beginning of year	\$ 70,501	\$ (3,775,416)	\$ (3,704,915)	\$ (4,017,863)
Surplus (deficit) for the year	(18,289)	213,214	194,925	84,713
Transfer to capital	29,916	(29,916)	--	--
AB Municipal Affairs operating grant (note 11)	--	21,772	21,772	323,730
Due to AB Municipal Affairs (note 11)	--	<u>(348)</u>	<u>(348)</u>	<u>(95,495)</u>
BALANCE, end of year	\$ <u>82,128</u>	\$ <u>(3,570,694)</u>	\$ <u>(3,488,566)</u>	\$ <u>(3,704,915)</u>

M. D. OF ST. PAUL FOUNDATION
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (891,611)	\$ (1,167,112)
Add amortization of capital assets	<u>18,289</u>	<u>12,104</u>
	(873,322)	(1,155,008)
Net changes in working capital balances:		
Decrease (increase) in receivables	3,348	13,171
Decrease (increase) in prepaid expenses	(3,605)	3,397
Increase (decrease) in accounts payable and deposits	(48,195)	115,758
Increase (decrease) in deferred funding	<u>28,880</u>	<u>(65,708)</u>
	<u>(892,894)</u>	<u>(1,088,390)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Municipal Requisitions	598,724	817,179
Lodge assistance grant	487,812	434,646
AB Municipal Affairs operating grant	21,772	323,730
Repayment of municipal advances	(178,202)	(169,500)
Repayment long-term debt	(16,814)	(17,719)
Payable to AB Municipal Affairs	<u>(348)</u>	<u>(95,495)</u>
	<u>912,944</u>	<u>1,292,841</u>
CASH FLOWS INVESTING ACTIVITIES		
Purchase of equipment	(29,916)	(51,112)
Increase in Credit Union equity	(252)	(257)
Redemption (purchase) of short-term investments	<u>50,000</u>	<u>(150,000)</u>
	<u>19,832</u>	<u>(201,369)</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	39,882	3,082
CASH AND CASH EQUIVALENTS, beginning of year	<u>204,449</u>	<u>201,367</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>244,331</u>	\$ <u>204,449</u>
CASH AND CASH EQUIVALENTS DEFINED:		
Cash and bank	\$ 216,186	\$ 181,349
Trust accounts	<u>28,145</u>	<u>23,100</u>
Total	\$ <u>244,331</u>	\$ <u>204,449</u>

Interest Paid

The foundation paid interest on long-term debt and municipal advances of \$190,653 in 2011 (\$201,514 in 2010).

M. D. OF ST. PAUL FOUNDATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. PURPOSE OF THE ORGANIZATION

The M. D. of St. Paul Foundation was established as a management body by provincial ministerial order pursuant to section 5 of the Alberta Housing Act effective January 1, 1995. The Foundation replaced Ashmont and District Agricultural Society and Mallaig Chamber of Commerce with respect to the operation and administration of housing projects. The Foundation is an organization operating and managing social programs aimed at: providing affordable housing to low-income Albertans who are most in need; and providing board and lodging to senior Albertans.

The members of the management body are as follows:

County of St. Paul
Town of St. Paul
Town of Elk Point

The organization is a registered charity and therefore exempt from federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting and Revenue Recognition

These statements are prepared on an accrual basis whereby all revenues and expenditures are recorded in the period in which they pertain. The management body follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Investments

Investments consists of short-term GIC's and Credit Union equity which are recorded at fair value.

c) Capital Assets

Only assets costing in excess of \$5,000 are recorded in the accounts. Amortization is recorded on the diminishing balance basis at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The amortization rates are as follows:

Buildings	5%
Equipment	30% & 20%

Buildings and land owned by the Alberta Government are not shown in the accounts.

d) Due to Alberta Municipal Affairs

The amount due to Alberta Municipal Affairs included in accounts payable and in the combined statement of net liabilities is calculated by set formula involving budget surplus and budget efficiency.

M. D. OF ST. PAUL FOUNDATION
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

f) Classification of Financial Instruments

The following is a summary of the accounting model the foundation has elected to apply to each of its significant categories of financial instruments:

<u>Financial Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and bank	Held-for-trading	Fair value
Short-term investments	Held-for-trading	Fair value
Trust account	Held-for-trading	Fair value
Credit Union Equity	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Municipal advances	Other financial liabilities	Amortized cost

3. SHORT-TERM INVESTMENTS

The following GIC'S are held at ATB Financial:

<u>Amount</u>	<u>Interest rate</u>	<u>Maturity date</u>
\$ 100,000	1.35%	July 11, 2012
<u>50,000</u>	1.35%	July 11, 2012
<u>\$ 150,000</u>		

4. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
GST receivable	\$ 21,958	\$ 26,308
Accrued interest and other	<u>4,436</u>	<u>3,434</u>
	<u>\$ 26,394</u>	<u>\$ 29,742</u>

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2011</u>	<u>2010</u>
Building	\$ 16,728	\$ 8,355	\$ 8,373	\$ 8,814
Equipment	<u>153,128</u>	<u>79,373</u>	<u>73,755</u>	<u>61,687</u>
	<u>\$ 169,856</u>	<u>\$ 87,728</u>	<u>\$ 82,128</u>	<u>\$ 70,501</u>

M. D. OF ST. PAUL FOUNDATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

6. DEFERRED REVENUE	<u>2011</u>	<u>2010</u>
Unearned Lodge Assistance Program grant	\$ 124,087	\$ 111,234
Restricted Alberta Housing reserve fund	22,600	22,600
Unspent Alberta Housing restricted grant	--	16,802
Deferred tenant rent	11,332	--
2012 Town of Elk Point requisition	<u>21,497</u>	<u>--</u>
	<u>\$ 179,516</u>	<u>\$ 150,636</u>

7. OPERATING LOAN

The Foundation has access to a revolving line of credit with ATB Financial, authorized to a maximum of \$100,000, secured by a revolving loan agreement and municipal borrowing bylaw. Interest is payable at the ATB Financial's prime rate.

8. LONG-TERM DEBT	<u>2011</u>	<u>2010</u>
4.85% Servus Credit Union term loan payable in annual instalments of \$20,545 including principal and interest, maturing December 1, 2014. The loan is secured by guarantees from the related municipalities.	\$ 57,004	\$ 73,819
Less current portion	<u>17,773</u>	<u>18,748</u>
	<u>\$ 39,231</u>	<u>\$ 55,071</u>

Estimated principal repayments for the next three years are as follows:

2012	\$ 17,773
2013	18,643
2014	20,588

9. MUNICIPAL ADVANCES	<u>2011</u>	<u>2010</u>
4.758% County of St. Paul No. 19 debenture payable in semi-annual installments of \$52,028 including principal and interest, maturing December 17, 2032.	\$ 1,372,303	\$ 1,409,724
4.726% Town of St. Paul debenture payable in semi-annual installments of \$21,680 including principal and interest, maturing December 17, 2027.	483,318	503,148
5.037% Town of Elk Point debenture payable in annual installments of \$9,631 including principal and interest, maturing March 15, 2028.	108,246	112,224

M. D. OF ST. PAUL FOUNDATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

9. MUNICIPAL ADVANCES (continued)	<u>2011</u>	<u>2010</u>
5.875% County of St. Paul No. 19 debenture payable in annual installments of \$102,742 including principal and interest, maturing December 1, 2023.	867,303	916,217
5.875% Town of St. Paul debenture payable in annual installments of \$41,339 including principal and interest, maturing March 17, 2023.	348,964	368,645
5.875% Town of Elk Point debenture payable in annual instalments of \$9,200 including principal and interest maturing March 17, 2023.	77,661	82,041
5.75% County of St. Paul No.19 debenture payable in annual instalments of \$38,489 including principal and interest, maturing June, 2014.	103,360	134,136
5.75% Town of St. Paul loan payable in annual instalments of \$10,133 plus interest, maturing June, 2014.	30,400	40,533
5.625% Town of Elk Point loan payable in equal annual instalments of \$3,843 including principal and interest, maturing April, 2014.	<u>10,344</u>	<u>13,432</u>
Total municipal advances	3,401,899	3,580,100
Less current portion	<u>187,383</u>	<u>178,202</u>
	<u>\$ 3,214,516</u>	<u>\$ 3,401,898</u>

Estimated principal repayments for the next five years are as follows:

2012	\$ 187,383
2013	197,055
2014	207,289
2015	165,606
2016	174,555

10. ECONOMIC DEPENDENCE

The Foundation receives municipal requisitions, lodge assistance program grants, restricted grants and operating grants to subsidize its operations. The Foundation's ability to continue viable operations is dependant on the receipt of these funds.

M. D. OF ST. PAUL FOUNDATION
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

11. RELATED PARTY TRANSACTIONS

a) Lodge Operations

i) Member Municipalities

Under the provincial ministerial order the foundation may requisition the member municipalities for operating requirements. The requisitions are allocated based on each municipality's equalized assessment.

Requisitions from municipalities were allocated as follows:

	<u>2011</u>	<u>2010</u>
County of St. Paul #19	\$ 391,836	\$ 549,365
Town of St. Paul	168,385	219,602
Town of Elk Point	<u>38,503</u>	<u>48,212</u>
	<u>\$ 598,724</u>	<u>\$ 817,179</u>

Note 9 discloses the outstanding debt and repayment requirements of the loans from the municipalities. Note 6 discloses the prepaid 2012 requisition from the Town of Elk Point.

The Foundation (lodge operations) incurred the following expenses with member municipalities:

	<u>2011</u>	<u>2010</u>
Interest on municipal advances	\$ 183,879	\$ 193,311
Waste disposal fees	2,520	2,520
Water and sewer fees	17,629	15,975

ii) Alberta Government

The foundation reported the following grants in income for the lodge operations:

	<u>2011</u>	<u>2010</u>
Lodge Assistance Program	\$ 487,812	\$ 434,646
Manpower programs	3,360	3,584
Alberta Seniors Maintenance Grant	48,900	--

The unearned portion of the Lodge Assistance Program grant is recorded as deferred revenue.

b) Self-Contained Social Housing Division

The Foundation manages the self-contained units for Alberta Municipal Affairs. Alberta Municipal Affairs provides funding to cover approved budget deficits, non-recurring maintenance and to ensure there are sufficient funds in reserve. Included in deferred funding is a reserve fund of \$22,600 (2010 - \$22,600) and a deferred restricted grant of \$Nil (2010 - \$16,802).

M. D. OF ST. PAUL FOUNDATION
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

11. RELATED PARTY TRANSACTIONS (continued)

b) Self-Contained Social Housing Division (continued)

The foundation reported the following funding from Alberta Municipal Affairs:

	<u>2011</u>	<u>2010</u>
Grants for restricted purposes	\$ 16,802	\$ 210,743
Operating grant	21,772	323,730
Operating grant to be refunded	(348)	(95,495)
Manpower programs	3,136	3,360

Amounts to be refunded to Alberta Municipal Affairs are included in accounts payable.

The Foundation (Self-Contained Social Housing) incurred the following expenses with member municipalities:

	<u>2011</u>	<u>2010</u>
Property taxes	\$ 45,823	\$ 50,882
Waste disposal fees	3,340	3,532
Water and sewer fees	15,418	15,439

12. FINANCIAL INSTRUMENTS

Fair Value

The foundation's carrying value of cash, short-term investments, trust account, accounts receivable, Credit Union equity and payables and accruals approximates its fair value due to the immediate or short-term maturity of these instruments.

The carrying value of long-term debt and municipal advances approximates the fair value as the interest rates are consistent with current rates offered to the foundation for debt with similar terms.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The foundation's financial instruments that are exposed to credit risk are primarily cash and accounts receivable. The foundation has a significant number of tenants and rent is collected at the beginning of each month which minimizes concentration of credit risk.

Currency Risk

It is management's opinion that the foundation is not exposed to significant currency risk arising from its financial instruments as they are all in Canadian dollars.

M. D. OF ST. PAUL FOUNDATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

12. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the foundation manages exposure through its normal operating and financing activities. The foundation is exposed to interest rate risk primarily through its floating interest rate bank credit facilities.

Commodity Risk

The foundation is exposed to fluctuations in commodity prices for natural gas and electricity. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The foundation has signed a four year fixed rate contract for natural gas and electricity which minimizes commodity risk.

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the foundation participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The foundation is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the foundation are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the foundation to the LAPP in 2011 were \$113,341 (2010 - \$121,026). Total current service contributions by the employees of the foundation to the Local Authorities Pension Plan in 2011 were \$101,543 (2010 - \$107,937).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

14. CAPITAL DISCLOSURES

The foundation defines capital as the sum of net liabilities, long-term debt and municipal advances. The foundation's objective when managing capital is to hold sufficient capital to continue to operate and maintain their facilities. The foundation minimizes its exposure to external financial obligations by requisitioning member municipalities and holds cash to ensure sufficient liquidity. The foundation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2010.