Inn From The Cold Society
Financial Statements
December 31, 2012

To the Members of Inn From The Cold Society:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and the external auditors. The Board is also responsible for recommending the appointment of the Society's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 22, 2013

Linda McLean,
Executive Director

To the Members of Inn From The Cold Society:

We have audited the accompanying financial statements of Inn From The Cold Society, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Except as explained in the following paragraph, 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

In common with many not-for-profit organizations, the Society derives a significant portion of its revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Inn From The Cold Society as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta

April 22, 2013

MNP LLP
Chartered Accountants

Inn From The Cold Society
Statement of Financial Position
As at

	December 31 2012	*December 31 2011*	*January 1 2011*
Assets			
Current			
Cash	**352,978**	140,683	444,364
Restricted cash *(Note 4)*	**2,652,486**	1,317,444	1,159,554
Restricted guaranteed investment certificates *(Note 4)*	**-**	880,000	660,000
Short-term investments	**6,241**	-	-
Accounts receivable *(Note 5)*	**53,254**	253,296	202,081
Prepaid expenses	**6,506**	6,887	1,878
	3,071,465	2,598,310	2,467,877
Capital assets *(Note 6)*	**5,748,964**	5,705,580	5,816,515
	8,820,429	8,303,890	8,284,392
Liabilities			
Current			
Accounts payable and accruals *(Note 7)*	**51,301**	113,582	84,073
Deferred revenue *(Note 8)*	**47,037**	108,461	439,462
Current portion of deferred capital contributions *(Note 9)*	**231,336**	216,745	201,659
Current portion of mortgage payable *(Note 10)*	**-**	-	400,000
	329,674	438,788	1,125,194
Deferred capital contributions *(Note 9)*	**2,894,693**	2,893,557	3,001,735
Mortgage payable *(Note 10)*	**-**	-	621,862
	3,224,367	3,332,345	4,748,791
Net Assets			
Invested in capital assets	**2,622,935**	2,595,278	1,591,260
Restricted	**2,407,874**	1,900,454	1,294,092
Unrestricted	**565,253**	475,813	650,249
	5,596,062	4,971,545	3,535,601
	8,820,429	8,303,890	8,284,392

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Inn From The Cold Society
Statement of Operations
For the years ended December 31

	2012	*2011*
Revenue		
General donations	**2,431,593**	2,420,248
Government funding	**1,822,621**	1,729,367
Donations in-kind	**256,654**	167,453
Amortization of deferred capital contributions	**231,350**	295,412
Grants	**189,514**	406,517
Interest	**29,219**	27,384
	4,960,951	5,046,381
Program expenses		
Wages and salaries	**2,196,494**	1,721,750
Direct client support	**339,398**	230,888
Diversion efforts	**322,541**	329,371
Site operations	**263,421**	241,846
Amortization	**223,834**	209,861
Fundraising	**111,479**	31,937
Utilities	**57,060**	55,489
Transportation	**53,745**	50,833
Interest on mortgage	**-**	26,995
	3,567,972	2,898,970
Administration expenses		
Wages and salaries	**279,192**	193,380
General office and administration	**261,147**	230,807
Amortization	**63,557**	59,590
Advertising and promotion	**59,351**	181,749
Goods and Services Tax	**23,632**	22,520
Utilities	**16,202**	15,756
Interest on mortgage	**-**	7,665
	703,081	711,467
Total expenses	**4,271,053**	3,610,437
Excess of revenue over expenses before other items	**689,898**	1,435,944
Other items		
Loss on disposal of short-term investments	**(65,381)**	-
Excess of revenue over expenses	**624,517**	1,435,944

The accompanying notes are an integral part of these financial statements

Inn From The Cold Society
Statement of Changes in Net Assets
For the years ended December 31

	Invested in capital assets	*Restricted*	*Unrestricted*	***2012***	*2011*
Net assets, beginning of year	2,595,278	1,900,454	475,813	**4,971,545**	3,535,601
Excess of revenue over expenses	-	-	624,517	**624,517**	1,435,944
Amortization of deferred capital contributions	231,350	-	(231,350)	**-**	-
Amortization	(287,391)	-	287,391	**-**	-
Acquisition of capital assets	330,775	-	(330,775)	**-**	-
Increase in deferred capital contributions	(247,077)	-	247,077	**-**	-
Inter-fund transfer *(Note 4)*	-	507,420	(507,420)	**-**	-
Net assets, end of year	**2,622,935**	**2,407,874**	**565,253**	**5,596,062**	4,971,545

Inn From The Cold Society
Statement of Cash Flows
For the years ended December 31

	2012	*2011*
Cash provided by (used for) the following activities		
Operating		
Cash receipts from donors, sponsors, ticket sales, and tenants	**4,861,883**	4,722,787
Cash paid for program service expenses	**(1,700,147)**	(1,745,044)
Cash paid for salaries and benefits	**(2,475,686)**	(1,910,128)
Interest received	**29,219**	27,384
Interest paid	**(13,505)**	(42,733)
	701,764	1,052,266
Financing		
Repayment of mortgage	**-**	(1,021,862)
Capital contributions received	**247,077**	145,008
	247,077	(876,854)
Investing		
Purchase of guaranteed investment certificates	**-**	(220,000)
Proceeds on disposal of guaranteed investment certificates	**880,000**	-
Purchase of capital assets	**(330,775)**	(101,203)
Proceeds on disposal of donated marketable securities	**49,271**	-
	598,496	(321,203)
Increase (decrease) in cash resources	**1,547,337**	(145,791)
Cash resources, beginning of year	**1,458,127**	1,603,918
Cash resources, end of year	**3,005,464**	1,458,127

Cash resources are composed of:		
Cash	**352,978**	140,683
Restricted cash	**2,652,486**	1,317,444
	3,005,464	1,458,127

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Inn From The Cold Society ("the Society") is incorporated under the Societies Act of Alberta. The Society provides emergency shelter, support and programs to homeless children, their families and others in need, with the goal of building healthy, stable families and ending homelessness. The Society is a registered charity under the Income Tax Act and is exempt from income taxes.

2. Impact of adopting accounting standards for not-for-profit organizations

The Society previously reported its financial statements in accordance with the not-for-profit provisions contained within Canadian generally accepted accounting principles. Due to changes implemented by the Accounting Standards Board, the Society was required to adopt Canadian accounting standards for not-for-profit organizations ("ASNPO") this year. The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011, and the opening ASNPO statement of financial position as at January 1, 2011 (the Society's date of transition to ASNPO).

In preparing these financial statements, the Society has elected not to apply any of the transitional provisions permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statement of financial position, operations, changes in net assets or statement of cash flows previously reported under Canadian generally accepted accounting principles ("GAAP").

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases in net assets.

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.

Pledges are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Donations in-kind are recorded at fair value where fair value can be reasonably determined.

Deferred revenue represents designated donations received in the current year which are used to subsidize families and fund operations in a subsequent year. Recognition of these amounts as revenue is deferred to subsequent years when the related expenses are incurred.

Donations restricted for the purchase of capital assets are recorded as deferred capital contributions and amortized into revenue in order to match the amortization recorded on the assets, which were purchased with the restricted funds.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for general purposes is included in restricted cash.

Contributed services

Volunteers contribute a significant number of hours per year to assist the Society in carrying out its program activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. Significant accounting policies *(Continued from previous page)*

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. Building improvements are amortized straight-line over the remaining term of the building.

	Rate
Buildings	20 years
Vehicles	5 years
Office furniture and equipment	5 years
Guests' furniture and equipment	3 years

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting year. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the years in which they become known.

Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society made such an election during the year.

The Society subsequently measures its marketable securities at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations for the current year. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

The carrying values of financial assets measured at amortized cost are as follows:

	December 31, 2012	December 31, 2011
Financial assets measured at amortized cost:		
Cash	**352,978**	140,683
Restricted cash	**2,652,486**	1,317,444
Accounts receivable	**53,254**	253,296
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	**51,300**	113,582

3. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Society assesses impairment of all its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the current year statement of operations.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

4. Restricted cash

	2012	*2011*
Restricted for capital projects	**426,682**	420,454
Restricted for operations	**1,981,192**	600,000
Restricted by external sources	**244,612**	296,990
	2,652,486	1,317,444

The Board has restricted a total of $1,981,192 (2011 - $1,480,000) to fund future operations, of which $1,981,192 (2011 - $600,000) is in cash and $nil (2011 - $880,000) is invested in guaranteed investment certificates. During the year, the guaranteed investment certificates matured for a total of $896,192 (2011 - $nil), of which $880,000 (2011 - $nil) is principal and the remainder is interest earned. The principal and interest earned have been included in the restricted cash balance above. The Board has also restricted a total of $426,682 (2011 - $420,454) to fund future capital projects.

5. Accounts receivable

	2012	*2011*
Donations	**19,119**	253,296
GST receivable	**34,135**	-
	53,254	253,296

6. Capital assets

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	**2,330,000**	**-**	**2,330,000**	2,330,000
Buildings	**3,786,104**	**946,526**	**2,839,578**	3,028,883
Building improvements	**520,250**	**55,536**	**464,714**	196,506
Vehicles	**109,400**	**85,240**	**24,160**	46,040
Office furniture and equipment	**296,172**	**223,524**	**72,648**	94,411
Guests' furniture and equipment	**54,123**	**36,259**	**17,864**	9,740
	7,096,049	**1,347,085**	**5,748,964**	5,705,580

During the year, capital assets were acquired at an aggregate cost of $330,775 (2011 - $158,516), of which $nil (2011 - $57,313) were acquired by means of gifts-in-kind and $330,775 (2011 - $101,203) were acquired with cash.

7. Accounts payable and accruals

Included in accounts payable and accruals is $nil (2011 - $19,959) relating to source deductions payable.

8. Deferred revenue

The Society and its contributors restrict revenues for specific purposes. Recognition of these amounts is deferred to years in which the specified expenses are incurred. Changes in deferred contribution balances are as follows:

	2012	2011
Balance, beginning of year	**108,461**	439,462
Amount received during the year	**62,600**	634,848
Less: Amount recognized as revenue during the year	**(124,024)**	(965,849)
Balance, end of year	**47,037**	108,461

9. Deferred capital contributions

The Society and its contributors have restricted the following amounts for acquisition of capital assets.

	2012	2011
Balance, beginning of year	**3,110,302**	3,203,393
Amount received during the year	**247,077**	202,321
Less: Amounts recognized as revenue during the year	**(231,350)**	(295,412)
	3,126,029	3,110,302
Less: current portion	**231,336**	216,745
Balance, end of year	**2,894,693**	2,893,557

10. Mortgage payable

The mortgage payable, which had an outstanding balance of $1,021,862 at December 31, 2010, was paid in full during the year ended December 31, 2011.

11. Income taxes

The Society is registered as a charitable organization under the *Income Tax Act* (the “Act”) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

12. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Society is not exposed to significant interest rate risk.

13. Additional disclosure

The Society has adopted the Ethical Fundraising and Financial Accountability Code of the Canadian Centre for Philanthropy and discloses its activities in accordance with the Code. The following additional disclosures are made as specified by the Code.

	2012	*2011*
Expenditures on programs	**3,344,138**	2,689,109
Management and administrative expenditures	**615,892**	629,357
Amortization of capital assets	**287,391**	269,451
Non-recoverable Goods and Services Tax	**23,632**	22,520
	4,271,053	3,610,437

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.