

INN FROM THE COLD SOCIETY

Financial Statements

Year Ended December 31, 2013

INN FROM THE COLD SOCIETY
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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of Inn From the Cold Society:

Report on the financial statements

We have audited the accompanying financial statements of Inn From The Cold Society, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, 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 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.

Auditor's 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 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 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 effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Inn From The Cold Society as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

(Continues...)

INDEPENDENT AUDITOR'S REPORT (Continued)

Other matters

The financial statements of Inn From the Cold Society for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those statements on April 22, 2013.

Calvista LLP

Professional Accountants

April 22, 2014
Calgary, Alberta, Canada



CALVISTA LLP
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INN FROM THE COLD SOCIETY
Statement of Operations
For the year ended December 31, 2013

	2013	2012
ASSETS		
Current		
Cash and cash equivalents	\$ 223,221	\$ 352,978
Restricted cash (note 3)	3,823,998	2,652,486
Investments	-	6,241
Accounts receivable (note 4)	61,873	19,119
Goods and services tax recoverable	65,627	34,135
Prepaid expenses and other current assets	14,389	6,506
	<u>4,189,108</u>	<u>3,071,465</u>
Capital assets (note 5)	<u>5,711,129</u>	<u>5,748,964</u>
	<u>\$ 9,900,237</u>	<u>\$ 8,820,429</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 56,623	\$ 51,301
Deferred contributions related to operations (note 6)	414,549	47,037
Current portion of deferred contributions related to capital assets (note 7)	228,856	231,336
	<u>700,028</u>	<u>329,674</u>
Deferred contributions related to capital assets (note 7)	<u>2,818,317</u>	<u>2,894,693</u>
	<u>3,518,345</u>	<u>3,224,367</u>
Net assets		
Invested in capital assets	2,663,957	2,622,935
Internally restricted	3,127,874	2,407,874
Unrestricted	590,061	565,253
	<u>6,381,892</u>	<u>5,596,062</u>
	<u>\$ 9,900,237</u>	<u>\$ 8,820,429</u>

Approved on behalf of the Board:

Director: 

Christopher Moser

Director:



Shelley Jacober

INN FROM THE COLD SOCIETY
Statement of Operations
For the year ended December 31, 2013

	2013	2012
REVENUE		
Donations	\$ 3,531,916	\$ 2,431,593
Government funds	1,839,061	1,822,621
Grants	26,005	189,514
Amortization of deferred contributions related to capital assets	248,456	231,350
Gifts in kind	192,841	256,654
Interest	10,035	29,219
TOTAL REVENUE	5,848,314	4,960,951
PROGRAM EXPENSES		
Salaries and wages	2,672,202	2,196,494
Diversion efforts	331,290	322,541
Fundraising	299,076	124,984
Direct client support	299,062	339,398
Other operating expenses	295,558	263,421
Amortization of capital assets	246,153	223,834
Travel expense	59,704	53,745
Utilities	46,013	57,060
	4,249,058	3,581,477
ADMINISTRATION EXPENSES		
Salaries and wages	339,658	279,192
Administrative expenses	316,117	247,642
Amortization of capital assets	69,894	63,557
Advertising and promotion	43,224	59,351
Goods and services tax	31,492	23,632
Utilities	13,065	16,202
	813,450	689,576
TOTAL EXPENSES	5,062,508	4,271,053
Revenue over expenses before other items	785,806	689,898
Other items		
Gain (loss) on disposal of marketable securities	24	(65,381)
EXCESS OF REVENUE OVER EXPENSES	\$ 785,830	\$ 624,517

INN FROM THE COLD SOCIETY
Statement of Changes in Net Assets
For the year ended December 31, 2013

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2013	Total 2012
Net assets, beginning of the year	\$ 2,622,935	\$ 2,407,874	\$ 565,253	\$ 5,596,062	\$ 4,971,545
Excess of revenue over expenses	(67,591)	-	853,421	785,830	624,517
Acquisition of capital assets	278,213	-	(278,213)	-	-
Increase in deferred contributions related to capital assets	(169,600)	-	169,600	-	-
Interfund transfer	-	720,000	(720,000)	-	-
Net assets, end of the year	\$ 2,663,957	\$ 3,127,874	\$ 590,061	\$ 6,381,892	\$ 5,596,062

INN FROM THE COLD SOCIETY
Statement of Cash Flows
For the year ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES:		
Cash receipts from donors, sponsors, ticket sales, and tenants	\$ 5,721,740	\$ 4,861,883
Cash paid for program services expenses	(1,575,812)	(1,713,652)
Cash paid for salaries and benefits	(3,011,860)	(2,475,686)
Interest received	10,035	29,219
	<u>1,144,103</u>	<u>701,764</u>
FINANCING		
Contributions received for capital assets	<u>169,600</u>	<u>247,077</u>
INVESTING		
Proceeds on disposal of investments	6,241	-
Proceeds on disposal of guaranteed investment certificates	-	880,000
Purchase of capital assets	(278,213)	(330,775)
Proceeds on disposal of donated marketable securities	24	49,271
	<u>(271,948)</u>	<u>598,496</u>
INCREASE IN CASH	1,041,755	1,547,337
Cash and restricted cash, beginning of year	<u>3,005,464</u>	<u>1,458,127</u>
Cash and restricted cash, end of year	\$ 4,047,219	\$ 3,005,464
Cash and restricted cash consists of:		
Cash in bank	223,221	352,978
Internally restricted cash in bank	3,127,874	2,407,874
Restricted cash in bank (note 3)	696,124	244,612
	<u>\$ 4,047,219</u>	<u>\$ 3,005,464</u>

INN FROM THE COLD SOCIETY
Notes to Financial Statements
For the year ended December 31, 2013

1. 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 the payment of income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) 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.

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 when 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 contributions related to capital assets and amortized into revenue in order to match the amortization recorded on the capital assets, which were purchased with restricted funds.

b) Cash and cash equivalents

Cash consists of cash on hand and balances with banks. Cash equivalents consist of short-term deposits with maturities of less than three months.

c) Capital assets

Purchased capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution. These contributions are deferred and amortized over the useful life of the asset at the same method and rate as the expense.

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 estimated useful life of the building.

Building	20 years
Building improvements	Remaining life of the building
Vehicles	5 years
Office furniture and equipment	5 years
Guest furniture and equipment	3 years

(Continues...)

INN FROM THE COLD SOCIETY
Notes to Financial Statements
For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Contributed services

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

e) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost consists of cash and cash equivalents, restricted cash and accounts receivable. Financial liabilities measured at amortized cost consists of accounts payable and accrued liabilities.

f) Measurement uncertainty

The preparation of these financial statements in accordance 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, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

g) Goods and services tax rebate

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable 50% is recorded as part of the expense with the rebate treated as a receivable.

3. RESTRICTED CASH

Restricted cash includes the following restricted amounts:

	<u>2013</u>	<u>2012</u>
Internally restricted for capital projects	\$ 429,025	\$ 426,682
Internally restricted for operations	2,698,849	1,981,192
Restricted by external sources	<u>696,124</u>	<u>244,612</u>
	<u>\$ 3,823,998</u>	<u>\$ 2,652,486</u>

4. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Calgary Homeless Foundation	\$ 61,873	\$ -
Pledged donations	-	19,119
	<u>\$ 61,873</u>	<u>\$ 19,119</u>

INN FROM THE COLD SOCIETY
Notes to Financial Statements
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5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Land	\$ 2,330,000	\$ -	\$ 2,330,000	\$ 2,330,000
Building	3,786,104	(1,135,831)	2,650,273	2,839,578
Building improvements	686,629	(97,609)	589,020	464,714
Office furniture and equipment	382,457	(270,415)	112,042	81,949
Guests furniture and equipment	79,672	(52,158)	27,514	8,563
Motor vehicles	109,400	(107,120)	2,280	24,160
	<u>\$ 7,374,262</u>	<u>\$ (1,663,133)</u>	<u>\$ 5,711,129</u>	<u>\$ 5,748,964</u>

During the year, capital assets were acquired at an aggregate cost of \$278,213 (2012: \$330,775), of which \$278,213 (2012: \$330,775) were acquired with cash.

6. DEFERRED CONTRIBUTION RELATED TO OPERATIONS

The Society's contributors restrict revenues for specific purposes. Recognition of these amounts is deferred to years in which the specified expenses are incurred. Changes in deferred contributions related to operations are as follows:

	2013	2012
Balance, beginning of year	\$ 47,037	\$ 108,461
Add: amounts received during the year	494,274	62,600
Less: amounts recognized as revenue during the year	<u>(126,762)</u>	<u>(124,024)</u>
Balance, end of year	<u>\$ 414,549</u>	<u>\$ 47,037</u>

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

The Society's contributors have provided the following amounts for acquisition of capital assets.

	2013	2012
Balance, beginning of year	\$ 3,126,029	\$ 3,110,302
Add: amounts received during the year	169,600	247,077
Less: amounts recognized as revenue during the year	<u>(248,456)</u>	<u>(231,350)</u>
	3,047,173	3,126,029
Less: current portion	<u>(228,856)</u>	<u>(231,336)</u>
Balance, end of year	<u>2,818,317</u>	<u>2,894,693</u>

8. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value approximates their carrying value unless otherwise noted.

INN FROM THE COLD SOCIETY
Notes to Financial Statements
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9. INCOME TAXES

The Society is registered as a charitable organization under the Income Tax Act ("the Act") and is exempt from incomes 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.

10. ADDITIONAL DISCLOSURES

Ethical Fundraising and Financial Accountability Code

The Society has adopted the Ethical Fundraising and Financial Accountability Code ("the 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.

	<u>2013</u>	<u>2012</u>
Expenditures on programs	\$ 4,002,905	\$ 3,344,138
Management and administrative expenditures	712,064	615,892
Amortization of capital assets	316,047	287,391
Non-recoverable Goods and Services Tax	<u>31,492</u>	<u>23,632</u>
	<u>\$ 5,062,508</u>	<u>\$ 4,271,053</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Prior year's financial statements were audited by another professional accountant.
