

Financial Statements of

INN FROM THE COLD SOCIETY

Year ended March 31, 2016



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INDEPENDENT AUDITOR'S REPORT

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 March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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

In common with many not-for-profit organizations, Inn from the Cold Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Inn from the Cold Society. Therefore, we, and the predecessor auditors, were not able to determine, respectively, whether, as at and for the years ended March 31, 2016 and March 31, 2015, any adjustments might be necessary to donations and excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of changes in net assets and cash flows, and current assets and unrestricted net assets reported in the statements of financial position. This caused the predecessor auditors to qualify their audit opinion on the financial statements as at and for the year ended March 31, 2015.

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 March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Inn from the Cold Society as at and for the year ended March 31, 2015 were audited by another auditor who expressed a qualified opinion on those statements on August 26, 2015 due to the matter described in the Basis for Qualified Opinion paragraph.

KPMG LLP

Chartered Professional Accountants

June 14, 2016

Calgary, Canada

INN FROM THE COLD SOCIETY

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,345,296	\$ 446,631
Internally restricted cash and cash equivalents (note 3)	4,415,000	3,680,599
Externally restricted cash and cash equivalents (note 3)	742,582	1,895,341
Goods and services tax recoverable	82,707	112,387
Prepaid expenses and other current assets	78,899	53,654
	<u>6,664,484</u>	<u>6,188,612</u>
Capital assets (note 4)	6,020,198	5,901,993
	<u>\$12,684,682</u>	<u>\$12,090,605</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 339,577	\$ 161,510
Accrued liabilities for repayment of funding (note 5)	34,093	273,723
Deferred contributions related to operations (note 7)	1,280,060	1,895,341
	<u>1,653,730</u>	<u>2,330,574</u>
Deferred contributions related to capital assets (note 8)	2,945,171	2,632,767
Net assets		
Invested in capital assets	3,075,027	3,269,226
Internally restricted (note 3)	4,415,000	3,680,599
Unrestricted	595,754	177,439
	<u>8,085,781</u>	<u>7,127,264</u>
Commitments and contingency (note 12)		
	<u>\$12,684,682</u>	<u>\$12,090,605</u>

See accompanying notes to financial statements

Approved on Behalf of the Board



Director



Director

INN FROM THE COLD SOCIETY

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenues		
Donations	\$ 4,545,732	\$ 3,415,225
Calgary Homeless Foundation funding (note 10)	2,972,491	2,634,005
Gifts in kind	387,952	451,362
Amortization of deferred contributions related to capital assets (note 8)	273,763	245,162
Interest	36,858	10,799
Grants	-	529,928
	<u>8,216,796</u>	<u>7,286,481</u>
Program expenses		
Salaries and wages	4,128,845	3,446,457
Other operating expenses	662,343	402,284
Fundraising	474,973	343,085
Direct client support	411,997	523,260
Amortization	314,651	259,716
Diversion efforts	115,224	314,311
Travel	71,950	67,889
Utilities	37,873	42,795
	<u>6,217,856</u>	<u>5,399,797</u>
Administrative expenses		
Salaries and wages	563,024	425,967
Administrative	366,300	378,792
Advertising and promotion	45,108	16,244
Amortization	42,907	73,253
Goods and services tax	17,919	40,329
Utilities	5,165	12,070
	<u>1,040,423</u>	<u>946,655</u>
Excess of revenues over expenses	<u>\$ 958,517</u>	<u>\$ 940,029</u>

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	Invested in capital assets	Internally restricted	Unrestricted	2016	2015
Net assets, beginning of year	\$ 3,269,226	\$ 3,680,599	\$ 177,439	\$ 7,127,264	\$ 6,187,235
(Deficiency) excess of revenue over expenses	(83,795)	—	1,042,312	958,517	940,029
Acquisition of capital assets	475,763	—	(475,763)	—	—
Addition of deferred contributions related to capital assets	(475,763)	—	475,763	—	—
Interfund transfers	(110,404)	734,401	(623,997)	—	—
	\$ 3,075,027	\$ 4,415,000	\$ 595,754	\$ 8,085,781	\$ 7,127,264

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in)		
Operations		
Excess of revenues over expenses	\$ 958,517	\$ 940,029
Change in non-cash items		
Amortization	357,558	332,969
Amortization of deferred contributions relating to capital assets	(273,763)	(245,162)
Goods and services tax receivable	29,680	(40,330)
Prepaid expenses	(25,245)	(18,289)
Accounts payable and accrued liabilities	178,067	67,374
Accrued liabilities for repayment of funding	(239,630)	273,723
Deferred contributions relating to operations	(615,281)	998,475
Deferred contributions relating to capital assets	586,167	90,970
	956,070	2,399,759
Investing		
Purchase of capital assets	(475,763)	(548,422)
Increase in cash and cash equivalents	480,307	1,851,337
Cash and cash equivalents, beginning of year	6,022,571	4,171,234
Cash and cash equivalents, end of year	\$ 6,502,878	\$ 6,022,571
Cash and cash equivalents consists of		
Cash	\$ 1,345,296	\$ 446,631
Internally restricted cash	4,415,000	3,680,599
Externally restricted cash	742,582	1,895,341
	\$ 6,502,878	\$ 6,022,571

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

1. Nature of the organization

Inn from the Cold Society (the "Society") is incorporated under The Societies Act of Alberta. The Society offers emergency shelter, instrumental needs, supported housing, and a comprehensive continuum of collateral services to families experiencing homelessness. The Society's mission is to provide shelter, sanctuary, and healing to assist homeless children and their families achieve independence. The Society is a registered charity under the Income Tax Act and is exempt from the payment of income taxes.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) 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 period 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.

Donations in kind are recorded at fair value when fair value can be reasonably determined and they would have otherwise been purchased.

Deferred revenues 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 original maturities of less than three months.

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Notes to Financial Statements, page 2

Year ended March 31, 2016

2. Significant accounting policies (continued)

(c) Capital assets

Purchased capital assets are recorded at cost. The cost from 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 using the straight-line method over the remaining estimated useful life of the building.

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

The Society regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

(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 these financial statements.

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

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Notes to Financial Statements, page 3

Year ended March 31, 2016

2. Significant accounting policies (continued)

(f) 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 amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(g) Goods and Services Tax

Goods and Services Tax is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

(h) Income taxes

The Society is registered as a charitable society under the Income Tax Act of Canada (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 the certain requirements within the Act. In the opinion of management, these requirements have been met.

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Notes to Financial Statements, page 4

Year ended March 31, 2016

3. Restricted cash

Restricted cash includes the following restricted amounts

	2016	2015
Internally restricted for operations	\$ 3,750,000	\$ 3,219,599
Internally restricted for capital projects	665,000	461,000
Restricted by external sources for operations	640,926	1,692,341
Restricted by external sources for capital projects	101,656	203,000
	<u>\$ 5,157,582</u>	<u>\$ 5,575,940</u>

The Society's Board internally restricted funds with the objective of having a reserve for operations to cover approximately six months of estimated future operating costs, and to ensure access to funds for required capital projects.

Restrictions by external sources consist of third party contributions designated for specific purposes.

4. Capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 2,330,000	\$ -	\$ 2,330,000	\$ 2,330,000
Building	3,786,104	1,561,908	2,224,196	2,413,501
Building improvements	1,548,367	264,974	1,283,393	976,644
Office furniture and equipment	504,858	382,228	122,630	110,496
Vehicles	147,012	118,803	28,209	35,731
Guest furniture and equipment	132,797	101,027	31,770	35,621
	<u>\$ 8,449,138</u>	<u>\$ 2,428,940</u>	<u>\$ 6,020,198</u>	<u>\$ 5,901,993</u>

During the year, capital assets were acquired at an aggregate cost of \$475,761 (2015 - \$548,422), all of which were acquired with cash.

5. Accrued liabilities for repayment of funding

The Society has accrued \$34,093 (2015 - \$273,723) payable to Calgary Homeless Foundation in relation to program surpluses.

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Notes to Financial Statements, page 5

Year ended March 31, 2016

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$62,465 (2015 - \$34,276), which include amounts payable for GST and payroll related taxes.

7. Deferred contributions related to operations

The Society's contributors restrict revenue 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

	2016	2015
Balance, beginning of year	\$ 1,895,341	\$ 693,866
Amounts received during the year	2,906,744	4,389,463
Amounts recognized as revenue during the year	(3,321,078)	(2,839,636)
Repayment of funding	(200,947)	(348,352)
Balance, end of year	\$ 1,280,060	\$ 1,895,341

8. Deferred contributions related to capital assets

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

	2016	2015
Balance, beginning of year	\$ 2,632,767	\$ 2,708,384
Amounts invested in capital assets during the year	586,167	169,545
Amounts recognized as revenue during the year	(273,763)	(245,162)
Balance, end of year	\$ 2,945,171	\$ 2,632,767

9. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, restricted cash, and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value unless otherwise noted due to their short-term nature. The Society is exposed to credit risk with respect to its cash, which is deposited with reputable Canadian commercial banks. Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

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Notes to Financial Statements, page 6

Year ended March 31, 2016

10. Calgary Homeless Foundation funding

(a) Calgary Homeless Foundation - Emergency Family Shelter

	Actual	Budget
Revenues	\$ 1,290,426	\$1,290,426
Expenses		
Staff costs	1,080,413	1,005,474
Client costs	179,376	189,312
Administration costs	95,640	95,640
	1,355,429	1,290,426
	\$ (65,003)	\$ -

(b) Calgary Homeless Foundation - Journey House

	Actual	Budget
Revenues	\$ 573,024	\$ 573,024
Expenses		
Staff costs	369,250	387,360
Client costs	117,922	130,464
Administration costs	57,392	55,200
	544,564	573,024
	\$ 28,460	\$ -

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Notes to Financial Statements, page 7

Year ended March 31, 2016

10. Calgary Homeless Foundation funding (continued)

(c) Calgary Homeless Foundation - Knox Inn (for the year ended December 31, 2015)

	Actual	Budget
Revenues	\$ 858,880	\$ 858,880
Expenses		
Start-up costs	57,240	57,500
Staff costs	450,697	488,400
Client costs	201,904	226,880
Administration costs	83,247	86,100
	793,089	858,880
	\$ 65,791	\$ -

(d) Calgary Homeless Foundation - Family Support Program

	Actual	Budget
Revenues	\$ 415,824	\$ 415,824
Expenses		
Staff costs	282,094	300,064
Client costs	100,474	88,140
Administration costs	27,624	27,620
	410,192	-
	\$ 5,632	\$ -

Expenses are eligible under the Emergency Family Shelter, Journey House, Knox Inn, and Family Support programs (collectively, the "Programs") if they were incurred in the period of the particular program and are related directly to the operation of the program. The expenses in these schedules are consistent with the approved budget for the Programs and signed agreements with the Calgary Homeless Foundation. Additional expenses spent in excess of the approved budget are not included in these schedules, except where noted.

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Notes to Financial Statements, page 8

Year ended March 31, 2016

11. Fundraising activities

In accordance with the requirements of the Charitable Fund-raising Act and Regulation, the Society is required to disclose the following information:

Gross contributions received in 2016 were \$4,545,732 (2015 - \$3,415,225). \$4,000,244 (2015 - \$2,663,875) of these contributions were used for program expenses, and the remaining \$545,488 (2015 - \$751,350) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were \$474,973 (2015 - \$343,085). Of this amount, remuneration paid to employees during the year whose principal duties involve fundraising was \$75,802 (2015 - \$74,880).

12. Commitments and contingency

The Society has various operating leases for premises and vehicles expiring on or before August 31, 2020. These leases commit the Society to the following estimated minimum payments, as follows

2017	\$	87,810
2018		55,641
2019		48,789
2020		39,104
2021		16,293

The Society has been named a defendant in a legal action claiming an unspecified amount for damages. It is not possible at this time to make an estimate of the amount of the loss, if any, that may result and accordingly, no provision has been recorded.

13. Comparative information

Certain comparative information has been reclassified to be consistent with current year presentation.