Financial Statements of

INN FROM THE COLD SOCIETY

Year ended March 31, 2018

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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, 2018 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 were not able to determine whether, as at and for the years ended March 31, 2018 and 2017, any adjustments might be necessary to donations and (deficiency) excess of revenues over expenses reported in the statements of operations, (deficiency) excess of revenues 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 us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

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, 2018 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.

KPMG LLP

Chartered Professional Accountants

June 12, 2018

Calgary, Canada

INN FROM THE COLD SOCIETY

Statement of Financial Position

As of March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,598,691	$ 1,635,430
Internally restricted cash and cash equivalents (note 3)	4,010,578	3,975,297
Externally restricted cash and cash equivalents (note 3)	1,072,531	1,619,897
Goods and services tax recoverable	37,721	33,261
Prepaid expenses and other current assets	92,872	202,001
	6,812,393	7,465,886
Capital assets (note 4)	8,845,839	6,241,448
	$ 15,658,232	$ 13,707,334
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 461,788	$ 470,623
Accrued liabilities for repayment of funding (note 6)	40,446	109,498
Deferred contributions related to operations (note 7)	1,072,531	1,905,624
Mortgage payable (note 9)	1,353,916	–
	2,928,681	2,485,745
Long-term liabilities		
Deferred contributions related to capital assets (note 8)	4,623,021	2,774,575
	7,551,702	5,260,320
Net assets		
Internally restricted (note 3)	4,010,578	3,975,297
Invested in capital assets	2,868,902	3,466,873
Unrestricted	1,227,050	1,004,844
	8,106,530	8,447,014
Commitments (note 13)		
	$ 15,658,232	$ 13,707,334

See accompanying notes to financial statements

Approved on Behalf of the Board

_____________ Director

_____________ Director

INN FROM THE COLD SOCIETY

Statement of Operations

For the year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues		
Donations (note 12)	$ 4,306,347	$ 4,419,124
Provincial Emergency Supporting Housing Grant	1,520,027	1,589,815
Calgary Homeless Foundation funding (note 11)	913,022	843,969
Amortization of deferred contributions related to capital assets (note 8)	349,717	260,173
Gifts in kind	140,846	206,424
Rental and other income	54,591	51,892
Interest	53,251	49,066
	7,337,801	7,420,463
Program expenses		
Salaries and wages	4,646,442	4,138,653
Other operating expenses	717,814	754,433
Amortization	417,605	342,419
Fundraising	406,552	350,515
Direct client support	248,234	243,535
Diversion efforts	142,246	77,404
Utilities	53,764	36,854
Travel	30,879	18,583
	6,663,536	5,962,396
Administrative expenses		
Salaries and wages	633,606	564,362
Administrative	274,341	449,426
Amortization	56,946	46,694
Advertising and promotion	42,525	31,327
Utilities	7,331	5,025
	1,014,749	1,096,834
(Deficiency) excess of revenues over expenses	$ (340,484)	$ 361,233

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Changes in Net Assets

For the year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Internally restricted	Unrestricted	2018	2017
Net assets, beginning of year	$ 3,466,873	$ 3,975,297	$ 1,004,844	$ 8,447,014	$ 8,085,781
(Deficiency) excess of revenues over expenses	(124,834)	–	(215,650)	(340,484)	361,233
Acquisition of capital assets	3,078,942	–	(3,078,942)	–	–
Addition of deferred contributions related to capital assets	(2,198,163)	–	2,198,163	–	–
Issuance of mortgage payable (net)	(1,353,916)	–	1,353,916	–	–
Interfund transfers	–	35,281	(35,281)	–	–
	$ 2,868,902	$ 4,010,578	$ 1,227,050	$ 8,106,530	$ 8,447,014

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Cash Flows

For the year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in) the following activities		
Operating		
Excess of revenues over expenses	$ (340,484)	$ 361,233
Items not involving cash		
Amortization	474,551	389,113
Amortization of deferred contributions relating to capital assets	(349,717)	(260,173)
Changes in non-cash working capital:		
Goods and services tax receivable	(4,460)	49,446
Prepaid expenses and other current assets	109,129	(123,102)
Accounts payable and accrued liabilities	(8,835)	131,046
Accrued liabilities for repayment of funding	(69,052)	75,405
Deferred contributions relating to operations	(833,093)	625,564
	(1,021,961)	1,248,532
Financing		
Repayment of mortgage payable	(146,084)	–
Investing		
Purchase of capital assets from internal funds	(52,377)	(200,882)
Purchase of capital assets from externally restricted funds	(1,511,886)	(400,402)
Net deferred contributions received relating to capital assets	2,183,484	80,498
	619,221	(520,786)
(Decrease) increase in cash and cash equivalents	(548,824)	727,746
Cash and cash equivalents, beginning of year	7,230,624	6,502,878
Cash and cash equivalents, end of year	$ 6,681,800	$ 7,230,624
Cash and cash equivalents consists of		
Cash and cash equivalents	$ 1,598,691	$ 1,635,430
Internally restricted cash and cash equivalents	4,010,578	3,975,297
Externally restricted cash and cash equivalents	1,072,531	1,619,897
	$ 6,681,800	$ 7,230,624

See accompanying notes to financial statements

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, essential 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.

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 the donated items would have otherwise been purchased.

Deferred revenues represent 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.

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
Computer equipment	3 years

The Society regularly reviews its capital assets to eliminate obsolete items. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

(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.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(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 estimated useful lives 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 of amounts paid. 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.

3. Restricted cash

Restricted cash consists of the following restricted amounts

	2018	2017
Internally restricted for operations	$ 3,808,769	$ 3,766,508
Internally restricted for capital projects	201,809	208,789
Restricted by external sources for operations	1,058,247	349,104
Restricted by external sources for capital projects	14,284	1,270,793
	$ 5,083,109	$ 5,595,194

The Society's Board of Directors 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	2018 Net book value	2017 Net book value
Land	$ 3,330,000	$ –	$ 3,330,000	$ 2,330,000
Building	5,679,024	1,975,548	3,703,476	2,034,891
Building improvements	2,057,680	536,947	1,520,733	1,597,995
Vehicles	147,012	133,848	13,164	20,687
Office furniture and equipment	441,165	197,168	243,997	220,903
Guest furniture and equipment	53,125	49,955	3,170	13,661
Computer equipment	45,291	13,992	31,299	23,311
	$11,753,297	$ 2,907,458	$ 8,845,839	$ 6,241,448

During the year, capital assets were acquired at an aggregate cost of $3,078,942 (2017 - $610,363), $1,564,263 (2017 - $601,284) of which were acquired with cash, $1,500,000 (2017 - $nil) of which were acquired through the issuance of a mortgage payable (note 9), and $14,679 (2017 - $9,079) of which were gifts in kind.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $127,203 (2017 - $59,386), which include amounts payable for payroll related taxes.

6. Accrued liabilities for repayment of funding

The Society has accrued $40,446 (2017 - $109,498) payable to Calgary Homeless Foundation in relation to program surpluses.

7. Deferred contributions related to operations

The Society's contributors restrict contributions 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

	2018	2017
Balance, beginning of year	$ 1,905,624	$ 1,280,060
Capital amounts re-designated for use in operations	–	310,825
Amounts received during the year	3,011,325	3,392,478
Amounts recognized as revenue during the year	(2,587,910)	(3,041,454)
Capital contributions spent in current year	(1,270,793)	–
Unspent capital contributions received	14,285	–
Repayment of funding	–	(36,285)
Balance, end of year	$ 1,072,531	$ 1,905,624

8. Deferred contributions related to capital assets

The Society's contributors have provided the following amounts for acquisition of capital assets. Recognition of these amounts is deferred and amortized into revenues on the same basis as the amortization expense recognized on the capital assets the contributions were used to purchase.

	2018	2017
Balance, beginning of year	$ 2,774,575	$ 2,945,171
Amounts invested in capital assets during the year	2,198,163	400,402
Amounts recognized as revenue during the year	(349,717)	(260,173)
Amounts re-designated for use in operations	–	(310,825)
Balance, end of year	$ 4,623,021	$ 2,774,575

9. Mortgage payable

	March 31, 2018	March 31, 2017
$1,500,000 demand mortgage payable bearing interest at 3% per annum, secured by the underlying asset. Unless the lender demands early repayment, monthly blended installments of $19,820 are due starting July 2017 and maturing June 2024. Mortgage may be repaid at any time without penalty.	$ 1,353,916	$ –

Notwithstanding the demand feature, the mortgage is payable over the next five years as follows

2019	$ 199,956
2020	206,038
2021	212,305
2022	218,763
2023	225,417
Thereafter	291,437
	$ 1,353,916

10. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, internally and externally restricted cash and cash equivalents, mortgage payable, accounts payable and accrued liabilities, and accrued liabilities for repayment of funding. 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 and cash equivalents, which is deposited with 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. The Society's mortgage payable bears interest at a fixed rate; accordingly, the Society is not exposed to significant interest-rate risk.

11. Calgary Homeless Foundation funding

(a) Calgary Homeless Foundation – Journey House 1

	Actual	Budget
Contributions	$ 404,439	$ 404,439
Unspent funding to be repaid (note 6)	(8,126)	–
Revenues recognized	396,313	404,439
Expenses		
Staff costs	281,265	283,279
Client costs	74,604	80,716
Administration costs	40,444	40,444
	396,313	404,439
	$ –	$ –

(b) Calgary Homeless Foundation – Housing with Intensive Supports

	Actual	Budget
Contributions	$ 415,825	$ 415,824
Unspent funding to be repaid (note 6)	–	–
Revenues recognized	415,825	415,824
Expenses		
Staff costs	253,230	295,079
Client costs	134,970	93,125
Administration costs	27,625	27,620
	415,825	415,824
	$ –	$ –

11. Calgary Homeless Foundation funding (continued)

(c) Calgary Homeless Foundation – Journey House 2

	Actual	Budget
Contributions	$ 133,204	$ 133,204
Unspent funding to be repaid (note 6)	(32,320)	–
Revenues recognized	100,884	133,204
Expenses		
Start-up costs	27,775	33,550
Staff costs	34,489	35,643
Client costs	28,655	54,046
Administration costs	9,965	9,965
	100,884	133,204
	$ –	$ –

Expenses are eligible under the Journey House, Journey House 2 and Housing with Intensive Supports 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.

12. 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 during the year ended March 31, 2018 were $4,306,347 (2017 - $4,419,124). $3,789,585 (2017 - $3,890,022) of these contributions were used for program expenses, and the remaining $516,762 (2017 - $529,102) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were $406,552 (2017 - $350,515). Of this amount, remuneration paid to employees during the year whose principal duties involve fundraising was $91,866 (2017 - $83,287).

13. Commitments

The Society has various operating leases for premises expiring on or before March 31, 2022. These leases commit the Society to the following estimated minimum payments, as follows:

2019	$ 237,596
2020	65,551
2021	20,098
2022	2,763

14. Comparative information

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