

Financial Statements of

**INN FROM THE COLD SOCIETY**

Year ended March 31, 2017



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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, 2017 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, 2017 and March 31, 2016, any adjustments might be necessary to donations and excess of revenues over expenses reported in the statements of operations, 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, 2016.

**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, 2017 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 13, 2017

Calgary, Canada

# INN FROM THE COLD SOCIETY

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,635,430	\$ 1,345,296
Internally restricted cash and cash equivalents (note 3)	3,975,297	4,415,000
Externally restricted cash and cash equivalents (note 3)	1,619,897	742,582
Goods and services tax recoverable	33,261	82,707
Prepaid expenses and other current assets	202,001	78,899
	<u>7,465,886</u>	<u>6,664,484</u>
Capital assets (note 4)	6,241,448	6,020,198
	<u>\$13,707,334</u>	<u>\$12,684,682</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 470,623	\$ 339,577
Accrued liabilities for repayment of funding (note 6)	109,498	34,093
Deferred contributions related to operations (note 7)	1,905,624	1,280,060
	<u>2,485,745</u>	<u>1,653,730</u>
Deferred contributions related to capital assets (note 8)	2,774,575	2,945,171
Net assets		
Internally restricted (note 3)	3,975,297	4,415,000
Invested in capital assets	3,466,873	3,075,027
Unrestricted	1,004,844	595,754
	<u>8,447,014</u>	<u>8,085,781</u>
Commitments (note 12)		
Subsequent event (note 14)		
	<u>\$13,707,334</u>	<u>\$12,684,682</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, 2017, with comparative information for 2016

	2017	2016
<b>Revenues</b>		
Donations	\$ 4,471,016	\$ 4,545,732
Provincial Emergency Supporting Housing Grant	1,589,815	—
Calgary Homeless Foundation funding (note 10)	843,969	2,972,491
Amortization of deferred contributions related to capital assets (note 8)	260,173	273,763
Gifts in kind	206,424	387,952
Interest	49,066	36,858
	<u>7,420,463</u>	<u>8,216,796</u>
<b>Program expenses</b>		
Salaries and wages	4,138,653	4,128,845
Other operating expenses	754,433	662,343
Fundraising	350,515	474,973
Amortization	342,419	314,651
Direct client support	243,535	411,997
Diversion efforts	77,404	115,224
Utilities	36,854	37,873
Travel	18,583	71,950
	<u>5,962,396</u>	<u>6,217,856</u>
<b>Administrative expenses</b>		
Salaries and wages	564,362	563,024
Administrative	449,426	384,219
Amortization	46,694	42,907
Advertising and promotion	31,327	45,108
Utilities	5,025	5,165
	<u>1,096,834</u>	<u>1,040,423</u>
<b>Excess of revenues over expenses</b>	<u>\$ 361,233</u>	<u>\$ 958,517</u>

See accompanying notes to financial statements

# INN FROM THE COLD SOCIETY

## Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Invested in capital assets	Internally restricted	Unrestricted	2017	2016
Net assets, beginning of year	\$ 3,075,027	\$ 4,415,000	\$ 595,754	\$ 8,085,781	\$ 7,127,264
(Deficiency) excess of revenue over expenses	(128,940)	—	490,173	361,233	958,517
Acquisition of capital assets	610,363	—	(610,363)	—	—
Addition of deferred contributions related to capital assets	(400,402)	—	400,402	—	—
Interfund transfers	310,825	(439,703)	128,878	—	—
	\$ 3,466,873	\$ 3,975,297	\$ 1,004,844	\$ 8,447,014	\$ 8,085,781

See accompanying notes to financial statements

# INN FROM THE COLD SOCIETY

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in) the following activities		
Operating		
Excess of revenues over expenses	\$ 361,233	\$ 958,517
Items not involving cash		
Amortization	389,113	357,558
Amortization of deferred contributions relating to capital assets	(260,173)	(273,763)
Changes in non-cash working capital		
Goods and services tax receivable	49,446	29,680
Prepaid expenses	(123,102)	(25,245)
Accounts payable and accrued liabilities	131,046	178,067
Accrued liabilities for repayment of funding	75,405	(239,630)
Deferred contributions relating to operations	625,564	(615,281)
	1,248,532	369,903
Investing		
Purchase of capital assets from internal funds	(200,882)	—
Purchase of capital assets from externally restricted funds	(400,402)	(475,763)
Net deferred contributions received relating to capital assets	80,498	586,167
	(520,786)	110,404
Increase in cash and cash equivalents	727,746	480,307
Cash and cash equivalents, beginning of year	6,502,878	6,022,571
Cash and cash equivalents, end of year	\$ 7,230,624	\$ 6,502,878
Cash and cash equivalents consists of		
Cash and cash equivalents	\$ 1,635,430	\$ 1,345,296
Internally restricted cash and cash equivalents	3,975,297	4,415,000
Externally restricted cash and cash equivalents	1,619,897	742,582
	\$ 7,230,624	\$ 6,502,878

See accompanying notes to financial statements

# INN FROM THE COLD SOCIETY

Notes to Financial Statements

Year ended March 31, 2017, with comparative information for 2016

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## 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.



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Notes to Financial Statements, page 2

Year ended March 31, 2017, with comparative information for 2016

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## 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.

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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

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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.

# INN FROM THE COLD SOCIETY

Notes to Financial Statements, page 3

Year ended March 31, 2017, with comparative information for 2016

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## 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.

# INN FROM THE COLD SOCIETY

Notes to Financial Statements, page 4

Year ended March 31, 2017, with comparative information for 2016

## 3. Restricted cash

Restricted cash consists of the following restricted amounts

	2017	2016
Internally restricted for operations	\$ 3,766,508	\$ 3,750,000
Internally restricted for capital projects	208,789	665,000
Restricted by external sources for operations	349,104	640,926
Restricted by external sources for capital projects	1,270,793	101,656
	<u>\$ 5,595,194</u>	<u>\$ 5,157,582</u>

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	2017 Net book value	2016 Net book value
Land	\$ 2,330,000	\$ —	\$ 2,330,000	\$ 2,330,000
Building	3,786,104	1,751,213	2,034,891	2,224,196
Building improvements	1,986,935	388,940	1,597,995	1,283,393
Vehicles	147,012	126,325	20,687	28,209
Office furniture and equipment	345,723	124,820	220,903	122,630
Guest furniture and equipment	53,125	39,464	13,661	31,770
Computer equipment	25,456	2,145	23,311	—
	<u>\$ 8,674,355</u>	<u>\$ 2,432,907</u>	<u>\$ 6,241,448</u>	<u>\$ 6,020,198</u>

During the year, capital assets were acquired at an aggregate cost of \$610,363 (2016 - \$475,761), \$601,284 (2016 - \$475,761) of which were acquired with cash, and \$9,079 (2016 - \$nil) of which were gifts in kind.

# INN FROM THE COLD SOCIETY

Notes to Financial Statements, page 5

Year ended March 31, 2017, with comparative information for 2016

## 5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$59,386 (2016 - \$62,465), which include amounts payable for GST and payroll related taxes.

## 6. Accrued liabilities for repayment of funding

The Society has accrued \$109,498 (2016 - \$34,093) 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

	2017	2016
Balance, beginning of year	\$ 1,280,060	\$ 1,895,341
Capital amounts re-designated for use in operations	310,825	—
Amounts received during the year	3,392,478	2,906,744
Amounts recognized as revenue during the year	(3,041,454)	(3,321,078)
Repayment of funding	(36,285)	(200,947)
Balance, end of year	\$ 1,905,624	\$ 1,280,060

## 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.

	2017	2016
Balance, beginning of year	\$ 2,945,171	\$ 2,632,767
Amounts invested in capital assets during the year	400,402	586,167
Amounts recognized as revenue during the year	(260,173)	(273,763)
Amounts re-designated for use in operations	(310,825)	—
Balance, end of year	\$ 2,774,575	\$ 2,945,171

# INN FROM THE COLD SOCIETY

Notes to Financial Statements, page 6

Year ended March 31, 2017, with comparative information for 2016

## 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 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 2016.

## 10. Calgary Homeless Foundation funding

### (a) Calgary Homeless Foundation - Journey House

	Actual	Budget
Contributions	\$ 537,643	\$ 537,643
Unspent funding to be repaid (note 6)	(48,594)	—
Revenues recognized	489,049	537,643
Expenses		
Staff costs	374,520	374,520
Client costs	60,765	109,359
Administration costs	53,764	53,764
	489,049	537,643
	\$ —	\$ —

### (b) Calgary Homeless Foundation - Family Support Program

	Actual	Budget
Contributions	\$ 415,824	\$ 415,824
Unspent funding to be repaid (note 6)	(60,904)	—
Revenues recognized	354,920	415,824
Expenses		
Staff costs	257,354	295,079
Client costs	69,946	93,125
Administration costs	27,620	27,620
	354,920	415,824
	\$ —	\$ —

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Notes to Financial Statements, page 7

Year ended March 31, 2017, with comparative information for 2016

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## 10. Calgary Homeless Foundation funding (continued)

Expenses are eligible under the Journey House 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.

## 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 during the year ended March 31, 2017 were \$4,471,016 (2016 - \$4,545,732). \$3,941,914 (2016 - \$4,000,244) of these contributions were used for program expenses, and the remaining \$529,102 (2016 - \$545,488) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were \$350,515 (2016 - \$474,973). Of this amount, remuneration paid to employees during the year whose principal duties involve fundraising was \$83,287 (2016 - \$75,802).

## 12. Commitments

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

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

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## 13. Comparative information

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

# INN FROM THE COLD SOCIETY

Notes to Financial Statements, page 8

Year ended March 31, 2017, with comparative information for 2016

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## **14. Subsequent event**

On March 15, 2017, the Society entered into a conditional agreement to purchase a residential apartment building for \$1,875,000. The contract has now become unconditional, and is scheduled to close June 15, 2017. The purchase price will be paid through a confirmed \$1,500,000 mortgage and \$375,000 of cash on closing, \$100,000 of which has been paid already as a non-refundable deposit. The mortgage is repayable on demand and is secured by the building. If demand is not made, the mortgage will be repaid through blended monthly installments of \$19,820 over seven years and will bear interest at 3.0% per annum.