Financial Statements of

INN FROM THE COLD SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2019

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Inn from the Cold Society

Qualified Opinion

We have audited the financial statements of Inn from the Cold Society (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and 2018
- the donation revenues and deficiency of revenues over expenses reported in the statements of operations for the years ended March 31, 2019 and 2018
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2019 and 2018
- the deficiency of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2019 and 2018.

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 18, 2019

INN FROM THE COLD SOCIETY

Statement of Financial Position

As of March 31, 2019, with comparative information for 2018

	Operating fund	Capital fund	2019	2018
Assets				
Current assets:				
Cash and cash equivalents	$ 588,275	$ 176,476	$ 764,751	$ 1,598,691
Internally restricted cash and cash equivalents (note 3)	3,224,307	128,510	3,352,817	3,385,182
Internally restricted investments (note 3)	208,756	–	208,756	–
Externally restricted cash and cash equivalents (note 3)	796,147	264,242	1,060,389	1,072,531
Goods and services tax recoverable	19,236	2,321	21,557	37,721
Prepaid expenses and other current assets	143,236	–	143,236	92,872
	4,979,957	571,549	5,551,506	6,186,997
Capital assets (note 4)	–	8,754,295	8,754,295	8,845,839
Internally restricted investments (note 3)	434,151	–	434,151	625,396
	$ 5,414,108	$ 9,325,844	$ 14,739,952	$ 15,658,232
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$ 471,385	$ 6,965	$ 478,350	$ 461,788
Accrued liabilities for repayment of funding (note 6)	449,933	–	449,933	40,446
Deferred revenue (note 7)	380,747	264,242	644,989	1,072,531
Mortgage payable (note 9)	–	1,153,959	1,153,959	1,353,916
	1,302,065	1,425,166	2,727,231	2,928,681
Deferred capital contributions (note 8)	–	4,616,963	4,616,963	4,623,021
	1,302,065	6,042,129	7,344,194	7,551,702
Net assets:				
Internally restricted (note 3)	3,867,214	128,510	3,995,724	4,010,578
Invested in capital assets	–	2,983,373	2,983,373	2,868,902
Unrestricted	244,829	171,832	416,661	1,227,050
	4,112,043	3,283,715	7,395,758	8,106,530
Commitments (note 13)				
	$ 5,414,108	$ 9,325,844	$ 14,739,952	$ 15,658,232

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, 2019, with comparative information for 2018

	Operating fund	Capital fund	2019	2018
Revenues:				
Donations, fundraising & grants (note 12)	$ 4,440,762	$ –	$ 4,440,762	$ 4,306,347
Provincial Emergency Supporting Housing Grant	1,719,027	–	1,719,027	1,520,027
Calgary Homeless Foundation funding (note 11)	946,847	–	946,847	913,022
Amortization of deferred contributions related to capital assets (note 8)	–	455,467	455,467	349,717
Gifts in kind	165,319	–	165,319	140,846
Rental and other income	111,265	5,628	116,893	54,591
Interest	54,929	9,217	64,146	53,251
	7,438,149	470,312	7,908,461	7,337,801
Program expenses:				
Salaries and wages	4,898,895	–	4,898,895	4,596,084
Other operating expenses	894,716	25,798	920,514	664,844
Amortization	–	569,621	569,621	470,503
Fundraising	344,841	–	344,841	242,437
Diversion efforts	267,043	–	267,043	142,248
Direct client support	234,478	–	234,478	215,688
Utilities	94,208	–	94,208	44,448
Travel	31,131	–	31,131	30,879
	6,765,312	595,419	7,360,731	6,407,131
Administrative expenses:				
Salaries and wages	723,229	–	723,229	683,964
Administrative	456,952	–	456,952	512,556
Advertising and promotion	55,576	–	55,576	42,525
Amortization	–	13,533	13,533	4,048
Utilities	9,212	–	9,212	28,061
	1,244,969	13,533	1,258,502	1,271,154
Deficiency of revenues over expenses before transfers	$ (572,132)	$ (138,640)	$ (710,772)	$ (340,484)
Fund balances, beginning of year	4,742,899	3,363,631	8,106,530	8,447,014
Interfund transfers	(58,724)	58,724	–	–
Fund balance, end of year	4,112,043	3,283,715	7,395,758	8,106,530

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Changes in Net Assets

For the year ended March 31, 2019, with comparative information for 2018

	Invested in capital assets	Internally restricted	Unrestricted	2019	2018
Net assets, beginning of year	$ 2,868,902	$ 4,010,578	$ 1,227,050	$ 8,106,530	$ 8,447,014
Deficiency of revenues over expenses	(179,957)	–	(530,815)	(710,772)	(340,484)
Acquisition of capital assets	543,880	–	(543,880)	–	–
Addition of deferred contributions related to capital assets	(449,409)	–	449,409	–	–
Repayment of mortgage payable	199,957	–	(199,957)	–	–
Interfund transfers	–	(14,854)	14,854	–	–
	$ 2,983,373	$ 3,995,724	$ 416,661	$ 7,395,758	$ 8,106,530

See accompanying notes to financial statements

INN FROM THE COLD SOCIETY

Statement of Cash Flows

For the year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in) the following activities:		
Operating:		
Deficiency of revenues over expenses	$ (710,772)	$ (340,484)
Items not involving cash		
Amortization	583,154	474,551
Amortization of deferred contributions	(455,467)	(349,717)
Loss on disposal of capital assets	52,270	–
Changes in non-cash working capital:		
Goods and services tax recoverable	16,164	(4,460)
Prepaid expenses and other current assets	(50,364)	109,129
Accounts payable and accrued liabilities	16,562	(8,835)
Accrued liabilities for repayment of funding	409,487	(69,052)
Deferred revenue	(427,542)	(833,093)
	(566,508)	(1,021,961)
Financing:		
Repayment of mortgage payable	(199,957)	(146,084)
Investing:		
Purchase of capital assets	(538,580)	(1,564,263)
Purchase of internally restricted investments	(17,511)	–
Proceeds on disposition of internally restricted investments	–	188,604
Net deferred contributions received relating to capital assets	444,109	2,183,484
	(111,982)	807,825
Decrease in cash and cash equivalents	(878,447)	(360,220)
Cash and cash equivalents, beginning of year	6,056,404	6,416,624
Cash and cash equivalents, end of year	$ 5,177,957	$ 6,056,404
Cash and cash equivalents consists of:		
Cash and cash equivalents	$ 764,751	$ 1,598,691
Internally restricted cash and cash equivalents	3,352,817	3,385,182
Externally restricted cash and cash equivalents	1,060,389	1,072,531
	$ 5,177,957	$ 6,056,404

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 gift cards.

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 and cash equivalents and investments:

Restricted cash and cash equivalents and investments consist of the following restricted amounts

	2019	2018
Internally restricted for operations		
Cash and cash equivalents	$ 3,224,307	$ 3,183,373
Investments	642,907	625,396
	3,867,214	3,808,769
Internally restricted for capital projects		
Cash and cash equivalents	128,510	201,809
Restricted by external sources for operations		
Cash and cash equivalents	796,147	1,058,247
Restricted by external sources for capital projects		
Cash and cash equivalents	264,242	14,284
	$ 5,056,113	$ 5,083,109

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.

The Society's investments are comprised of two Guaranteed Investment Certificates ("GICs") totaling $208,756 and $434,151 that are scheduled to mature on May 28, 2019 and May 26, 2020 and earn interest at 1.40% and 1.65% per annum, respectively (2018 – one GIC totaling $625,396 scheduled to mature May 26, 2020 that earns interest at 1.40% per annum). All or a portion of the Society's GICs are cashable on demand, and these investments have been internally restricted by the Society's Board of Directors.

4. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	$ 3,330,000	$ –	$ 3,330,000	$ 3,330,000
Building	5,753,714	2,261,693	3,492,021	3,703,476
Building improvements	2,128,104	693,395	1,434,709	1,520,733
Vehicles	147,012	141,370	5,642	13,164
Office furniture and equipment	452,396	267,131	185,265	243,997
Guest furniture and equipment	107,863	67,138	40,725	3,170
Computer equipment	325,816	59,883	265,933	31,299
	$ 12,244,905	$ 3,490,610	$ 8,754,295	$ 8,845,839

During the year, capital assets were acquired at an aggregate cost of $543,880 (2018 – $3,078,942), $538,580 (2018 – $1,564,263) of which were acquired with cash, $nil (2018 – $1,500,000) of which were acquired through the issuance of a mortgage payable (note 9), and $5,300 (2018 – $14,679) of which were gifts in kind.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $27,123 (2018 - $127,203), which include amounts payable for payroll related taxes.

6. Accrued liabilities for repayment of funding:

The Society has accrued $34,533 (2018 – $40,446) payable to Calgary Homeless Foundation in relation to program surpluses, and $415,400 (2018 – $nil) to the Government of Alberta in relation to unused funding.

7. Deferred revenue:

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 unspent deferred revenue are as follows

	Operating	Capital
Balance, beginning of year	$ 1,058,246	$ 14,285
Amounts received during the year	2,378,279	399,670
Amounts re-designated for use for capital	(299,696)	299,696
Amounts recognized as revenue during the year	(2,340,682)	–
Capital contributions invested in current year	–	(449,409)
Unused funding designated for repayment (note 6)	(415,400)	–
Balance, end of year	$ 380,747	$ 264,242

8. Deferred contributions:

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.

	2019	2018
Balance, beginning of year	$ 4,623,021	$ 2,774,575
Amounts invested in capital assets during the year	449,409	2,198,163
Amounts recognized as revenue during the year	(455,467)	(349,717)
Balance, end of year	$ 4,616,963	$ 4,623,021

9. Mortgage payable:

	2019	2018
$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 the mortgage matures on June 2024. Mortgage may be repaid at any time without penalty.	$ 1,153,959	$ 1,353,916

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

2020	$ 206,038
2021	212,305
2022	218,763
2023	225,417
2024	232,273
Thereafter	59,163
	$ 1,153,959

10. Financial instruments:

The Society's financial instruments consist of cash and cash equivalents, internally and externally restricted cash and cash equivalents, internally restricted investments, 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 and internally restricted investments, which are 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 internally restricted investments earn interest at fixed rates and 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	$ 255,820	$ 255,820
Unspent funding to be repaid (note 6)	(34,533)	–
Revenues recognized	221,287	255,820
Expenses		
Staff costs	130,177	127,953
Client costs	65,946	102,702
Administration costs	25,164	25,165
	221,287	255,820
	$ –	$ –

(b) Calgary Homeless Foundation – Housing with Intensive Supports:

	Actual	Budget
Contributions	$ 425,290	$ 425,290
Expenses		
Staff costs	198,284	187,314
Client costs	195,090	195,447
Administration costs	42,528	42,529
	435,902	425,290
	$ (10,612)	$ –

11. Calgary Homeless Foundation funding (continued):

(c) Calgary Homeless Foundation – Journey House 2:

	Actual	Budget
Contributions	$ 300,270	$ 300,270
Expenses		
Client costs	186,524	153,684
Staff costs	120,708	116,559
Administration costs	30,028	30,027
	337,260	300,270
	$ (36,990)	$ –

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, 2019 were $4,440,762 (2018 - $4,306,347). $3,907,871 (2018 - $3,789,585) of these contributions were used for program expenses, and the remaining $532,891 (2018 - $516,762) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were $344,841 (2018 - $242,437). Of this amount, remuneration paid to employees during the year whose principal duties involve fundraising was $216,276 (2018 - $91,866).

13. Commitments:

The Society has various operating leases for premises expiring on or before March 31, 2023. These leases commit the Society to the following estimated minimum payments, as follows:

2020	$ 201,403
2021	44,572
2022	16,173
2023	728

14. Comparative information:

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