

Inn From The Cold Society
Financial Statements
December 31, 2010

Management's Responsibility

To the Members of Inn From The Cold Society:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of volunteers who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Board is also responsible for recommending the appointment of the Society's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 11, 2011



Yvette Rasmussen, Executive Director

April 11, 2011

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 December 31, 2010, and statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except as explained in the following paragraph, 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, the Society derives a significant portion of its revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the 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 December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

April 11, 2011

Meyers Norris Penny LLP

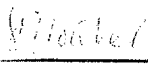
Chartered Accountants

Inn From The Cold Society
Statement of Financial Position

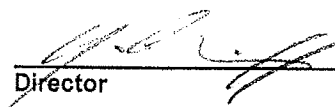
As at December 31, 2010

	2010	2009
Assets		
Current		
Cash	444,364	492,359
Restricted cash (Note 5)	1,159,554	582,717
Restricted guaranteed investment certificates (Note 5)	660,000	-
Marketable securities	-	2,500
Accounts receivable (Note 6)	202,081	173,080
Prepaid expenses	1,878	1,878
	2,467,877	1,252,534
Capital assets (Note 7)	5,816,515	5,976,937
	8,284,392	7,229,471
Liabilities		
Current		
Accounts payable and accruals	84,074	83,866
Deferred revenue (Note 8)	439,462	181,858
Current portion of deferred capital contributions (Note 9)	206,717	194,593
Current portion of mortgage payable (Note 10)	400,000	250,000
	1,130,253	710,317
Deferred capital contributions (Note 9)	2,996,676	3,035,005
Mortgage payable (Note 10)	621,862	1,700,000
	4,748,791	5,445,322
Net Assets		
Invested in capital assets	1,591,260	797,339
Restricted	1,294,092	400,859
Unrestricted	650,249	585,951
	3,535,601	1,784,149
	8,284,392	7,229,471

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Inn From The Cold Society

Statement of Operations

For the year ended December 31, 2010

	2010	2009
Revenue		
General donations	2,672,495	2,143,658
Government funding	1,463,836	832,906
Programs	336,000	15,000
Amortization of deferred capital contributions	201,659	194,593
Donations in-kind	106,767	91,751
Grants	93,707	79,601
Rental	72,509	76,500
Interest	13,827	8,251
	4,960,800	3,442,260
Expenses		
Program expenses		
Wages and salaries	1,245,837	1,157,329
Amortization	203,101	195,602
Diversion efforts	185,658	58,736
Other program delivery	150,198	93,129
Fundraising	138,631	58,842
Site operations	113,348	126,551
Shelter food costs	105,342	140,221
Utilities	67,052	54,817
Interest on mortgage	60,908	62,701
Transportation	52,995	55,793
	2,323,070	2,003,721
Administration expenses		
Administration	288,627	142,688
Wages and salaries	193,282	150,234
Fund development wages and salaries	181,000	114,101
Advertising and promotion	116,778	120,862
Amortization	57,670	55,541
Goods and Services Tax	20,456	18,588
Interest on mortgage	17,295	17,804
Utilities	11,170	15,566
	886,278	635,384
Excess of revenue over expenses	1,751,452	803,155

The accompanying notes are an integral part of these financial statements

Inn From The Cold Society
Statement of Changes in Net Assets
For the year ended December 31, 2010

	<i>Invested in capital assets</i>	<i>Restricted</i>	<i>Unrestricted</i>	<i>2010</i>	<i>2009</i>
Net assets, beginning of year	797,339	400,859	585,951	1,784,149	980,994
Excess of revenue over expenses	-	-	1,751,452	1,751,452	803,155
Amortization of deferred capital contributions on building	177,554	-	(177,554)	-	-
Amortization of deferred capital contributions on capital gifts-in-kind	24,105	-	(24,105)	-	-
Amortization	(260,771)	-	260,771	-	-
Acquisition of capital assets	100,349	-	(100,349)	-	-
Increase in deferred capital contributions	(175,454)	-	175,454	-	-
Repayment of mortgage payable	928,138	-	(928,138)	-	-
Inter-fund transfer <i>(Note 5)</i>	-	893,233	(893,233)	-	-
Net assets, end of year	1,591,260	1,294,092	650,249	3,535,601	1,784,149

The accompanying notes are an integral part of these financial statements

Inn From The Cold Society Statement of Cash Flows

For the year ended December 31, 2010

	2010	2009
Cash provided by (used for) the following activities		
Operating		
Cash receipts from donors, sponsors, ticket sales, and tenants	5,878,289	3,433,432
Cash paid to suppliers	(2,180,376)	(1,248,794)
Cash paid to employees	(1,623,022)	(1,414,791)
Interest paid	(71,881)	(80,505)
Interest received	13,827	8,251
	2,016,837	697,593
Financing		
Repayment of mortgage	(928,138)	(550,000)
Capital contributions received	156,044	-
	(772,094)	(550,000)
Investing		
Purchase of guaranteed investment certificates	(660,000)	-
Proceeds on disposal of donated marketable securities	25,040	30,617
Purchase of capital assets	(80,941)	(85,719)
	(715,901)	(55,102)
Increase in cash resources	528,842	92,491
Cash resources, beginning of year	1,075,076	982,585
Cash resources, end of year	1,603,918	1,075,076
Cash resources are composed of:		
Cash	444,364	492,359
Restricted cash	1,159,554	582,717
	1,603,918	1,075,076

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Inn From The Cold Society ("the Society") is incorporated under the Societies Act of Alberta and is engaged in enhancing the quality of life for less advantaged individuals in need by providing them with shelter and meals. The Society is a registered charity under the Income Tax Act and is exempt from income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

Funds pledged to the Society are not included in revenue until such time as funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues received from fundraisers are recognized in revenue during the period in which the events are held. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Donations in-kind

Donations in-kind are recorded at fair value where fair value can be reasonably determined.

Contributed services

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

Deferred revenue

Deferred revenue represents designated donations received in the current period to subsidize families and fund operations in a subsequent period. Recognition of these amounts as revenue is deferred to subsequent periods when the related expenses occur.

Deferred capital contributions

Donations restricted to the purchase of capital assets are recorded as deferred capital contributions and amortized into revenue to match the amortization taken on the assets purchased with the restricted funds.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	<i>Rate</i>
Building	20 years
Building improvements	19 years
Vehicles	5 years
Office furniture and equipment	5 years
Guests' furniture and equipment	3 years

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based upon management's best estimate of the useful life of capital assets. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

2. **Significant accounting policies** *(Continued from previous page)*

Financial instruments

Held for trading:

The Society has classified the following financial assets and liabilities as held for trading: cash, restricted cash, restricted guaranteed investment certificates, marketable securities and accounts receivable. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in the statement of operations. Held for trading financial instruments are initially and subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in the statement of operations. The fair value of cash, restricted cash, restricted guaranteed investment certificates, and accounts receivable approximate their carrying value due to their short term maturities. The fair value of marketable securities is determined by reference to quoted market price.

Other financial liabilities:

The Society has classified the following financial liabilities as other financial liabilities: accounts payable and accruals and mortgage payable. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and the transaction costs are immediately recognized in the current year's statement of operations. Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in the current year's statement of operations. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment are included in the carrying amount of the modified financial liability and amortized over its remaining expected life. Any related other costs incurred are recognized in the current year's statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments and plus or minus the cumulative amortization using the effective interest method or and difference between that initial amount and the maturity amount. The fair value of accounts payable and accruals payable approximates their carrying value due to their short-term maturities. The fair value of the mortgage payable is disclosed in note 10.

Total interest expense calculated using the effective interest rate method, is recognized in the statement of operations. Gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

3. **Recent accounting policies**

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board ("AcSB") approved the accounting standards for private sector not-for-profit organizations ("NFPO's) to be included in Part III of the CICA Handbook ("Handbook"). Part III is comprised of:

- The existing "4400 series" of standards dealing with unique circumstances of NFPO's, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPO's.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPO's will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Society expects to adopt Part III of the Handbook and does not expect the implementation of these standards to have a material impact on the financial statements.

Inn From The Cold Society
Notes to the Financial Statements
For the year ended December 31, 2010

4. Going concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Society will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

5. Restricted cash

	2010	2009
Restricted for capital projects	414,092	859
Restricted for operations	220,000	400,000
Restricted by external sources	525,462	181,858
	1,159,554	582,717

The Board has restricted a total of \$880,000 (2009 - \$400,000) to fund future operations, of which \$220,000 (2009 - \$400,000) is in cash and \$660,000 (2009 - \$nil) is invested in guaranteed investment certificates earning 2.03% and maturing June 23, 2011. The Board has also restricted a total of \$414,092 (2009 - \$859) to fund future capital projects.

6. Accounts receivable

	2010	2009
Donations	181,625	141,722
GST receivable	20,456	31,358
	202,081	173,080

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	2,330,000	-	2,330,000	2,330,000
Building	3,786,104	567,916	3,218,188	3,407,494
Building improvements	125,196	12,221	112,975	101,365
Vehicles	109,400	41,480	67,920	78,400
Office furniture and equipment	224,082	136,650	87,432	54,122
Guests' furniture and equipment	31,978	31,978	-	5,556
	6,606,760	790,245	5,816,515	5,976,937

During the year, capital assets were acquired at an aggregate cost of \$100,349 (2009 - \$210,326), of which \$19,408 (2009 - \$124,607) were acquired by means of gifts-in-kind and \$80,941 (2009 - \$85,719) were acquired with cash.

Inn From The Cold Society
Notes to the Financial Statements

For the year ended December 31, 2010

8. Deferred revenue

The Society and its contributors restrict revenues for specific purposes. Recognition of these amounts is deferred to periods in which the specified expenses are made. Changes in deferred contribution balances are as follows:

	2010	2009
Balance, beginning of year	181,858	379,588
Received during the year	1,473,843	172,040
Recognized as revenue during the year	(1,216,239)	(369,770)
	439,462	181,858

9. Deferred capital contributions

The Society and its contributors have restricted the following amounts for acquisition of capital assets.

	2010	2009
Balance, beginning of year	3,229,598	3,299,584
Received during the year	175,454	124,607
Recognized as revenue during the year	(201,659)	(194,593)
	3,203,393	3,229,598
Less: Current portion	(206,717)	(194,593)
	2,996,676	3,035,005

10. Mortgage payable

	2010	2009
The mortgage is repayable in quarterly installments of \$100,000 plus interest at a rate of 5% per annum and matures on April 1, 2015. Additional principal repayments can be made at any time without penalty. The mortgage is secured in the event of default by way of specific land and building having a net book value of \$5,548,188 (2009 - \$5,737,494).	1,021,862	1,950,000
Less: Current portion of mortgage	400,000	250,000
	621,862	1,700,000

Principal repayments on long-term debt in each of the next three years are estimated as follows:

2011	400,000
2012	400,000
2013	221,862

The carrying amount of mortgage payable approximates the fair value due to the underlying market interest rates.

Inn From The Cold Society
Notes to the Financial Statements
For the year ended December 31, 2010

11. Income taxes

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

12. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its Guaranteed Investment Certificates (GIC) and mortgage payable. A 1% change in interest rate could increase or decrease GIC interest income by approximately \$6,600 (2009 - \$nil). A 1% change in interest rates could increase or decrease mortgage interest expenses by approximately \$10,219 (2009 - \$19,500).

13. Capital management

The Society defines capital as net assets plus deferred revenue. The Society receives the majority of these operating and capital funds from general donations, grants, third party events, and fundraisers.

The Society manages its capital structure and makes adjustments to it, based on the funds available to the Society, in order to support its ongoing programs and operations.

The Society is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purposes outlined by the funding party. As at December 31, 2010, the Society has complied with the restrictions on any external funding.

14. Additional disclosure

The Society has adopted the Ethical Fundraising and Financial Accountability Code of Canadian Center for Philanthropy and discloses its activities in accordance with the Code. The following additional disclosures are made as specified by the Code.

	2010	2009
Expenditures on programs	2,119,969	1,808,119
Management and administrative expenditures	808,152	561,255
Amortization of capital assets	260,771	251,143
Non-recoverable Goods and Services Tax	20,456	18,588
Total expenditures	3,209,348	2,639,105

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.