

Inn From The Cold Society
Financial Statements
December 31, 2009

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.

March 12, 2010



Yvette Rasmussen, Executive Director

To the Members of Inn From The Cold Society:

We have audited the statement of financial position of Inn From The Cold Society as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Society derives revenues from various fundraising activities and donations, 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 as we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and net assets.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and fund-raising revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 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

March 12, 2010

Meyus Norris Penny LLP

Chartered Accountants

Inn From The Cold Society

Statement of Financial Position

As at December 31, 2009

| | 2009 | 2008 <i>(Restated - Note 14)</i> |
|---|-----------|---|
| Assets | | |
| Current | | |
| Cash | 492,359 | 402,138 |
| Restricted cash <i>(Note 4)</i> | 582,717 | 580,447 |
| Marketable securities | 2,500 | - |
| Accounts receivable <i>(Note 5)</i> | 173,080 | 228,173 |
| Prepaid expenses | 1,878 | 4,558 |
| | 1,252,534 | 1,215,316 |
| Capital assets <i>(Note 6)</i> | 5,976,937 | 6,017,754 |
| | 7,229,471 | 7,233,070 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals | 83,866 | 72,904 |
| Deferred revenue <i>(Note 7)</i> | 181,858 | 379,588 |
| Deferred capital contributions <i>(Note 8)</i> | 194,593 | 173,662 |
| Mortgage payable <i>(Note 9)</i> | 250,000 | - |
| | 710,317 | 626,154 |
| Deferred capital contributions <i>(Note 8)</i> | 3,035,005 | 3,125,922 |
| Mortgage payable <i>(Note 9)</i> | 1,700,000 | 2,500,000 |
| | 5,445,322 | 6,252,076 |
| Net Assets | | |
| Invested in capital assets | 797,338 | 218,169 |
| Restricted | 400,859 | 200,859 |
| Unrestricted | 585,952 | 561,966 |
| | 1,784,149 | 980,994 |
| | 7,229,471 | 7,233,070 |

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, 2009

| | 2009 | 2008 |
|---|------------------|------------------|
| Revenue | | |
| General donations | 2,143,658 | 970,480 |
| Government funding | 832,906 | 232,039 |
| Amortization of deferred capital contributions | 194,593 | 173,662 |
| Donations in-kind | 91,751 | 11,006 |
| Grants | 79,601 | 60,292 |
| Rental income | 76,500 | - |
| Management fees | 15,000 | - |
| Interest income and other | 8,251 | 11,782 |
| | 3,442,260 | 1,459,261 |
| Expenses | | |
| Program delivery wages and benefits | 1,157,329 | 691,090 |
| Administrative | 277,436 | 289,775 |
| Amortization | 251,143 | 213,533 |
| Direct assistance | 145,076 | 88,966 |
| Shelter food costs | 140,221 | 42,667 |
| Administrative wages and benefits | 150,234 | 125,415 |
| Advertising and promotion | 120,862 | 33,210 |
| Fund development wages and benefits | 114,101 | 71,158 |
| Interest on mortgage | 80,505 | 55,677 |
| Utilities | 70,383 | 18,555 |
| Transportation | 55,793 | 54,934 |
| Fundraising events | 50,645 | 31,261 |
| Goods and Services Tax | 18,588 | 13,670 |
| Weekend activities | 6,789 | 4,590 |
| | 2,639,105 | 1,734,501 |
| Excess (deficiency) of revenue over expenses from operations | 803,155 | (275,240) |
| Other items | | |
| Loss on disposal of marketable securities | - | (3,229) |
| Dividend income | - | 1,200 |
| | - | (2,029) |
| Excess (deficiency) of revenue over expenses | 803,155 | (277,269) |

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, 2009

| | <i>Invested in capital assets</i> | <i>Restricted</i> | <i>Unrestricted</i> | <i>2009</i> | <i>2008</i> |
|--|---------------------------------------|-------------------|---------------------|------------------|-------------|
| Net assets beginning of year, as previously stated | 75,313 | 200,859 | 704,822 | 980,994 | 1,199,519 |
| Corrections of errors' (Note 14) | 142,856 | - | (142,856) | - | 58,744 |
| Net assets, beginning of year, as restated | 218,169 | 200,859 | 561,966 | 980,994 | 1,258,263 |
| Excess (deficiency) of revenue over expenses | - | - | 803,155 | 803,155 | (277,269) |
| Amortization of deferred capital contributions on building | 173,663 | - | (173,663) | - | - |
| Amortization of deferred capital contributions on capital gifts-in-kind | 20,930 | - | (20,930) | - | - |
| Amortization | (251,143) | - | 251,143 | - | - |
| Acquisition of capital assets | 210,326 | - | (210,326) | - | - |
| Increase in deferred capital contributions | (124,607) | - | 124,607 | - | - |
| Repayment of mortgage payable | 550,000 | - | (550,000) | - | - |
| Inter-fund transfer (Note 4) | - | 200,000 | (200,000) | - | - |
| Net assets, end of year | 797,338 | 400,859 | 585,952 | 1,784,149 | 980,994 |

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, 2009

| | 2009 | 2008 <i>(Restated - Note 14)</i> |
|--|------------------|---|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Cash receipts from donors, sponsors, ticket sales, and tenants | 3,433,432 | 1,560,893 |
| Cash paid to suppliers | (1,248,794) | (510,852) |
| Cash paid to employees | (1,414,791) | (887,663) |
| Interest paid | (80,505) | (55,677) |
| Interest received | 8,251 | 11,782 |
| | 697,593 | 118,483 |
| Financing | | |
| Advance of mortgage | - | 2,500,000 |
| Repayment of mortgage | (550,000) | - |
| Cash contributions received and deferred for capital assets | - | 2,727,193 |
| | (550,000) | 5,227,193 |
| Investing | | |
| Proceeds on disposal of marketable securities | - | 161,530 |
| Proceeds on disposal of donated securities | 30,617 | - |
| Purchase of capital assets | (85,719) | (6,180,020) |
| | (55,102) | (6,018,490) |
| Increase (decrease) in cash resources | 92,491 | (672,814) |
| Cash resources, beginning of year | 982,585 | 1,655,399 |
| Cash resources, end of year | 1,075,076 | 982,585 |
| Cash resources are composed of: | | |
| Cash | 492,359 | 402,138 |
| Restricted cash | 582,717 | 580,447 |
| | 1,075,076 | 982,585 |

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 of 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 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 revenue 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 | 20 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, 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, 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 accounts 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 and mortgage payable approximates their carrying value due to their short-term maturities.

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.

Recent accounting pronouncements

Capital disclosures

Effective January 1, 2009, the Society adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 *Capital Disclosures* establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.

Note 12 discloses the Society's capital management policy.

Financial reporting by not-for-profit organizations (Exposure draft)

In March 2010, the Accounting Standards Board issued an exposure draft called Accounting Standards for Not-for-Profit Organizations. Comments will be accepted until July 15, 2010. Upon adoption, these standards, as they may be amended, will constitute Canadian generally accepted accounting principles for the not-for-profit sector.

Inn From The Cold Society
Notes to the Financial Statements
For the year ended December 31, 2009

3. 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.

4. Restricted cash

| | 2009 | 2008 |
|---------------------------------|----------------|----------------|
| Restricted for capital projects | 859 | 859 |
| Restricted for operations | 400,000 | 200,000 |
| Restricted by external sources | 181,858 | 379,588 |
| | 582,717 | 580,447 |

During the year, the Board restricted an additional \$200,000 to fund future operations. In 2008, \$200,000 which had been restricted for operations was used to acquire the building.

5. Accounts receivable

| | 2009 | 2008 <i>(Restated - Note 14)</i> |
|----------------|----------------|---|
| Donations | 141,722 | 215,403 |
| GST receivable | 31,358 | 12,770 |
| | 173,080 | 228,173 |

6. Capital assets

| | 2009 | 2008 <i>(Restated - Note 14)</i> | | 2008 <i>(Restated - Note 14)</i> |
|---------------------------------|------------------|---|---------------------------|---|
| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>Net book value</i> | <i>Net book value</i> |
| Land | 2,330,000 | - | 2,330,000 | 2,330,000 |
| Building | 3,786,104 | 378,610 | 3,407,494 | 3,603,942 |
| Building improvements | 106,996 | 5,631 | 101,365 | - |
| Vehicles | 118,000 | 39,600 | 78,400 | - |
| Office furniture and equipment | 153,332 | 99,210 | 54,122 | 72,700 |
| Guests' furniture and equipment | 31,978 | 26,422 | 5,556 | 11,112 |
| | 6,526,410 | 549,473 | 5,976,937 | 6,017,754 |

During the year, capital assets were acquired at an aggregate cost of \$210,326 (2008 - \$6,180,020), of which \$124,607 (2008 - \$nil) were acquired by means of gifts-in-kind and \$85,719 (2008 - \$6,180,020) were acquired with cash.

Inn From The Cold Society
Notes to the Financial Statements
For the year ended December 31, 2009

7. 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:

| | 2009 | 2008 |
|---------------------------------------|------------------|-----------|
| Balance, beginning of year | 379,588 | 43,620 |
| Received during the year | 172,040 | 540,532 |
| Recognized as revenue during the year | (369,770) | (204,564) |
| | 181,858 | 379,588 |

8. Deferred capital contributions

The Society and its contributors have restricted the following amounts for the operation of the premises.

| | 2009 | 2008 |
|---------------------------------------|------------------|-----------|
| Balance, beginning of year | 3,299,584 | 746,053 |
| Received during the year | 124,607 | 2,727,193 |
| Recognized as revenue during the year | (194,593) | (173,662) |
| | 3,229,598 | 3,299,584 |
| Less: Current portion | (194,593) | (173,662) |
| | 3,035,005 | 3,125,922 |

9. Mortgage payable

Beginning April 1, 2010, the mortgage is repayable in quarterly installments with an interest rate of 5% due March 31, 2015. The first payment of \$50,000 plus interest is due July 1, 2010 and quarterly installments of \$100,000 plus interest thereafter. 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 \$5,737,494 (2008 - \$5,933,942).

| | 2009 | 2008 |
|-----------------------------------|------------------|-----------|
| | 1,950,000 | 2,500,000 |
| Less: Current portion of mortgage | 250,000 | - |
| | 1,700,000 | 2,500,000 |

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

| | |
|------|---------|
| 2010 | 250,000 |
| 2011 | 400,000 |
| 2012 | 400,000 |
| 2013 | 400,000 |
| 2014 | 400,000 |

Inn From The Cold Society
Notes to the Financial Statements
For the year ended December 31, 2009

10. 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.

11. 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 mortgage payable. A 1% change in interest rates could increase or decrease interest expenses by approximately \$19,500 (2008 - \$25,000).

12. 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, 2009, the Society has complied with the external restrictions on any external funding.

13. 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.

| | 2009 | 2008 |
|--|------------------|-----------|
| Expenditures on programs | 1,859,388 | 1,011,395 |
| Management and administrative expenditures | 509,986 | 495,903 |
| Amortization of capital assets | 251,143 | 213,533 |
| Non-recoverable Goods and Services Tax | 18,588 | 13,670 |
| Total expenditures | 2,639,105 | 1,734,501 |

14. Corrections of errors

In 2008, the Society determined that deferred revenue was overstated by \$58,744 at December 31, 2007 as the related expenses had been incurred during that year. As at January 1, 2008, net assets have increased by \$58,744.

In 2009, the Society determined that previously recorded GST receivable related to the purchase of the building is not collectible. To correct this error, at December 31, 2008, accounts receivable was decreased, capital assets was increased, net assets invested in capital assets was increased, and unrestricted net assets was decreased by \$142,856.

On the statement of cash flows, cash receipts from donors, sponsors and ticket sales, and cash used for the purchase of capital assets were increased by this same amount.

15. Comparative figures

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