

INN FROM THE COLD INC.
Financial Statements
Year Ended December 31, 2022

INN FROM THE COLD INC.
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Year Ended December 31, 2022

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Chaggares & Bonhomme
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Inn from the Cold Inc.

Qualified Opinion

We have audited the financial statements of Inn from the Cold Inc. (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with 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 audit 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 ASNPO, 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.

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Chaggares & Bonhomme
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report to the Members of Inn from the Cold Inc. *(continued)*

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

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Chaggares & Bonhomme
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report to the Members of Inn from the Cold Inc. *(continued)*

- 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.

We 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.

Chaggares & Bonhomme

Newmarket, Ontario
May 9, 2023

Chaggares & Bonhomme
Chartered Professional Accountants
Licensed Public Accountants

INN FROM THE COLD INC.
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash (Note 6)	\$ 1,335,749	\$ 707,871
Term deposits (Note 5)	1,159,572	-
Accounts receivable (Note 7)	30,113	290,584
	2,525,434	998,455
CAPITAL ASSETS (Note 8)	1,373,816	1,307,233
	\$ 3,899,250	\$ 2,305,688
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 117,226	\$ 101,222
Current portion of long term debt (Note 10)	960,000	960,000
Deferred income (Note 9)	1,233,046	453,636
	2,310,272	1,514,858
FUND BALANCES		
General and capital fund (Note 11)	1,145,371	790,830
Stabilization reserve fund (Note 11)	193,607	-
Capital reserve fund (Note 11)	250,000	-
	1,588,978	790,830
	\$ 3,899,250	\$ 2,305,688

ON BEHALF OF THE BOARD

Ann Watson

Director

R. Mathewson

Director

See notes to financial statements

INN FROM THE COLD INC.
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
REVENUES		
Canada Summer Jobs	\$ 39,262	\$ -
Donations and fundraising	456,957	474,807
Ontario Trillium Foundation (Note 12)	103,483	150,338
Program revenues	139,288	52,701
Region of York (Note 12)	1,383,250	853,288
Rental income	35,473	21,364
United Way (Note 12)	167,853	212,060
	2,325,566	1,764,558
EXPENSES		
Accounting fees	6,756	7,614
Advertising and promotion	4,843	10,591
Amortization	4,523	4,976
Bad debts	455	-
Relocation expenses	-	3,342
Fundraising expenses	59,270	33,917
Getting Ahead Program expenses	13,257	18,860
Groceries and supplies	168,599	83,682
Insurance	13,849	25,082
Interest and bank charges	1,690	1,102
Interest on long term debt	38,400	12,800
Office	37,019	27,853
Please Come Inn program	15,058	-
Professional fees	21,873	17,053
Property taxes	14,570	13,290
Reaching Home program	28,120	-
Rental	92,078	99,774
Repairs and maintenance	74,657	56,815
Salaries and wages	1,013,058	1,049,530
Shelter expenses	652	-
Stability Now Program	882	13,964
Telephone	5,120	4,482
The Inn Team program expenses	8,301	54,386
Travel	4,431	4,704
United Way Small Groups program	-	5,055
Utilities	33,770	25,799
	1,661,231	1,574,671
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	664,335	189,887

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INN FROM THE COLD INC.
Statement of Revenues and Expenditures *(continued)*
Year Ended December 31, 2022

	2022	2021
OTHER INCOME		
Amortization of deferred capital contributions	1,396	1,745
Bingo revenues	66,661	13,462
Capital campaign program	65,756	3,343
	133,813	18,550
EXCESS OF REVENUES OVER EXPENSES	\$ 798,148	\$ 208,437

See notes to financial statements

INN FROM THE COLD INC.
Statement of Changes in Fund Balances
Year Ended December 31, 2022

	General and Capital Fund	Stabilization Reserve Fund	Capital Reserve Fund	2022	2021
FUND BALANCES - BEGINNING OF YEAR	\$ 790,830	\$ -	\$ -	\$ 790,830	\$ 582,393
EXCESS OF REVENUES OVER EXPENSES	798,148	-	-	798,148	208,437
Transfers to establish reserve funds <i>(Note 11)</i>	(443,607)	193,607	250,000	-	-
FUND BALANCES - END OF YEAR	\$ 1,145,371	\$ 193,607	\$ 250,000	\$ 1,588,978	\$ 790,830

See notes to financial statements

INN FROM THE COLD INC.
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 798,148	\$ 208,437
Item not affecting cash:		
Amortization of capital assets	4,523	4,976
	802,671	213,413
Changes in non-cash working capital:		
Accounts receivable	260,471	(202,762)
Accounts payable and accrued liabilities	16,005	34,645
Deferred income	779,410	414,489
Security / tender deposits	-	75,000
	1,055,886	321,372
Cash flow from operating activities	1,858,557	534,785
INVESTING ACTIVITY		
Purchase of capital assets	(71,107)	(1,287,761)
FINANCING ACTIVITY		
Proceeds from long term financing	-	960,000
INCREASE IN CASH FLOW	1,787,450	207,024
Cash and cash equivalents - beginning of year	707,871	500,847
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,495,321	\$ 707,871
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 1,335,749	\$ 707,871
Term deposits	1,159,572	-
	\$ 2,495,321	\$ 707,871

See notes to financial statements

INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO). Canadian accounting standards for not-for-profit organizations are part of Canadian GAAP.

Fund accounting

Inn from the Cold Inc. follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

Deferred contributions

Deferred bingo revenue consists of bingo revenues earned less approved spending from the Alcohol and Gaming Commission of Ontario for eligible expenditures consistent with the Organization's objectives.

Capital assets

Equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	50%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	10-15%	straight-line method

The Organization regularly reviews its equipment to eliminate obsolete items. Government grants are treated as a reduction of equipment cost.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Inn from the Cold Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year 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 related to the purchase of capital assets are deferred and recognized as revenue as the related assets are amortized and charged to operations.

Unrestricted donations and fundraising are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for bingo funds are recognized as revenue in the year in which the related expenses are incurred.

Rental and other income is recorded as earned once received.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. 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.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest.

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INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when materials and services are used in the normal course of operations, and would otherwise have been purchased.

Volunteers contribute time to assist the organization in carrying out its service activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. PURPOSE OF THE ORGANIZATION

Inn from the Cold Inc. (the "Organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. As a registered charity the Organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The Organization operates to meet the needs of people who are homeless or at risk of becoming homeless through collaboration with community partners in supporting those with basic to complex needs in York Region.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2022.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its funding entities, other related sources and accounts payable.

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 the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

4. RELATED PARTY TRANSACTIONS

The following is a summary of the Organization's related party transactions:

2022	2021
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INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

4. RELATED PARTY TRANSACTIONS (continued)

	2022	2021
Brane Wave Business Solutions Inc. <i>(A member of the Board is a partial owner of Brane Wave)</i>		
Bookkeeping services	\$ 21,266	\$ 17,053
	\$ 21,266	\$ 17,053

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at December 31, 2022, to Brane Wave for bookkeeping services, is \$2,373, which was subsequently paid.

5. TERM DEPOSITS

The investments consists of eleven one year non-redeemable Guaranteed Investment Certificates (GICs) invested on December 13, 2022 at an interest rate of 5.30%, with a maturity date of December 13, 2023.

6. RESTRICTED CASH AND TERM DEPOSITS

As at December 31, 2022, the restricted cash balance was \$763 (2021 - \$13,226), which includes outstanding cheques, and consisted of a bingo trust account externally restricted by the Town of Newmarket. Disbursements above and beyond the approved use of bingo proceeds requires approval from the Town of Newmarket Gaming Services.

	2022	2021
Restricted cash - Bingo	\$ 763	\$ 13,226
Restricted cash - Net asset reserves	443,607	-
Non-restricted cash and cash equivalent	1,282,096	694,645
Designated cash and cash equivalents	768,855	-
Cash and cash equivalents	\$ 2,495,321	\$ 707,871

Included in the cash and term deposits are restricted cash amounts equivalent to the restricted net assets (for the stabilization and capital reserve funds) of \$443,607 that were established by the board of directors during the year.

Designated cash and cash equivalent consists of the deferred revenue amounts designated for the capital campaign.

INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021
HST PSB rebates receivable	\$ 11,862	\$ 117,416
York Region grant receivable	-	172,713
United Way grant receivable	18,251	-
Other receivables	455	455
Subtotal	30,568	290,584
Allowance for doubtful accounts	(455)	-
	\$ 30,113	\$ 290,584

8. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,295,361	\$ -	\$ 1,295,361	\$ 1,287,761
Computer equipment	21,298	21,226	72	144
Furniture and fixtures	80,554	60,326	20,228	19,328
Leasehold improvements	345,197	345,197	-	-
Construction in progress	58,155	-	58,155	-
	\$ 1,800,565	\$ 426,749	\$ 1,373,816	\$ 1,307,233

9. DEFERRED INCOME

	2022	2021
Deferred capital contributions	\$ 5,584	\$ 6,980
York Region grant	454,699	77,268
Restricted bingo funds	3,908	13,469
Capital Campaign funding	768,855	355,919
	\$ 1,233,046	\$ 453,636

10. LONG TERM DEBT

	2022	2021
Kindwin Markham Limited loan bearing interest at 4% compounded monthly, repayable in monthly blended payments of \$3,200. The loan matures on August 30, 2023 and is secured by Land with a net book value of \$1,271,308.	\$ 960,000	\$ 960,000
Amounts payable within one year	(960,000)	(960,000)

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INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

10. LONG TERM DEBT (continued)

	2022	2021
	\$ -	\$ -

Principal repayment terms are approximately:

2023	\$ 960,000
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11. NET ASSETS AND FUND BALANCES

The Fund balances are comprised of the following:

	2022	2021
<u>Reserves set aside for specific purposes by the Board</u>		
Stabilization Reserve Fund	\$ 193,607	\$ -
Capital Reserve Fund	250,000	-
	443,607	-
<u>Capital fund</u>		
Invested in tangible capital assets	1,373,816	1,307,223
Less: amount financed by short term debt	(960,000)	(960,000)
	413,816	347,223
<u>General Fund</u>		
	731,555	443,607
Total Fund Balances	\$ 1,588,978	\$ 790,830

In March 2022, the Board of Directors established a Stabilization Reserve Fund with an initial contribution of \$193,607 allocated from the previous years' surpluses, to be used to cover such items as working capital, annual deficits, operating shortfalls and Board approved expenditures. Staff will prepare a policy for approval by the Board to establish the reserve fund operating procedures and parameters in the first quarter of 2023.

In March 2022, the Board of Directors also established a Future Capital Reserve Fund with an initial contribution of \$250,000 allocated from the previous years' surpluses, to provide a buffer should additional funding be required by the Project Taskforce for the proposed new transitional housing and homeless shelter.

INN FROM THE COLD INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

12. GRANTS RECEIVED

The Organization received grants from the following government organizations:

	2022	2021
United Way - Drop-By Program	\$ -	\$ -
United Way - Reaching Home Grant	167,853	202,073
United Way - Feasibility Study	-	9,987
Total United Way grant revenue	167,853	212,060
York Region - Drop-In Program	354,079	211,283
York Region - Community Investment Fund	-	271,171
York Region - Seasonal Shelter Program	1,029,171	370,834
Total York Region grant revenue	1,383,250	853,288
Ontario Trillium Foundation - SEED grant	-	31,538
Ontario Trillium Foundation - Getting Ahead Program	9,300	37,600
Ontario Trillium Foundation - Resilient Communities Fund	94,183	81,200
Total Ontario Trillium Foundation grant revenue	103,483	150,338
Total grant revenue	\$ 1,654,586	\$ 1,215,686

13. LEASE COMMITMENTS

Property Lease

The Organization had a long term lease with respect to its premises, which ended October 31, 2022. During the year, an addendum to the original lease was signed, dated May 16, 2022, which covers the period of November 1, 2022 to October 31, 2024, and provides for payment of utilities, property taxes and maintenance costs. The addendum lease agreement does not contain a renewal option. Future minimum lease payments as at year end are as follows:

2023	\$ 158,912
2024	132,427
	<u>\$ 291,339</u>

14. SUBSEQUENT EVENT

The Organization plans to construct a new housing centre at Yonge and Eagle street in Newmarket. Construction is planned to begin in the later stages of the 2023 year. By the end of 2024, the Organization expects to complete the construction of a new 16,000 square foot housing centre featuring 18 transitional housing units plus an emergency shelter and programming space. To help with the construction and outfitting funding for the new home, the All Inn! campaign was launched under the leadership of Newmarket Mayor John Taylor.