Sonshine Society of Christian Community Services

Auditor's Report and Financial Statements

December 31, 2011

Shahid Naqi
Chartered Accountant

SHAHID NAQI
Professional Corporation
Chartered Accountant

Independent Auditor's Report
To: The members of Sonshine Society of Christian Community Services

I have audited the accompanying financial statements of **Sonshine Society of Christian Community Services**, which comprise the balance sheet as at December 31, 2011 and the statements of operations and 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 is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion
In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly my audit of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, current assets and net assets.

Qualified Opinion
In my 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 **Sonshine Society of Christian Community Services** as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Shahid Ali Naqi.

Calgary, Alberta
April 5, 2012

Chartered Accountant

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Sonshine Society of Christian Community Services

Balance Sheet

December 31, 2011

	2011	2010
Assets		
Current assets		
Cash	$335,261	$365,524
Accounts receivable	19,775	23,574
Donations receivable	-	90,342
Prepaid expenses	4,295	15,528
	359,331	**494,968**
Capital assets (note 3)	5,415,392	5,627,750
	$5,774,723	**$6,122,718**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$116,852	$114,604
Current portion of mortgage payable (note 4)	37,578	36,128
	154,430	**150,732**
Non-current liabilities		
Mortgage payable (note 4)	885,958	923,839
Donations for the West Wing development, not spent	98,310	-
Deferred contributions related to capital assets (note 5)	3,348,393	3,487,909
	4,487,091	**4,562,480**
Net Assets		
Invested in capital assets	1,143,463	1,179,874
Unrestricted	144,169	380,364
	1,287,632	**1,560,238**
	$5,774,723	**$6,122,718**

Approved by the Board:

__________________, Director

__________________, Director

Shahid Naqi
Chartered Accountant

Sonshine Society of Christian Community Services

Statement of Operations and Changes in Net Assets

Year ended December 31, 2011

	2011	**2010**
Revenues		
Donations	$411,040	$584,384
Foundation grants	232,001	211,388
Day homes, fees and related revenue	200,930	217,385
Shelter, rent and other	144,916	156,703
Amortization of deferred contributions	139,516	158,571
Government grants	70,224	136,012
Gala evening, tickets and auctions	50,354	52,480
Counseling fees	26,349	29,397
West Wing development donations	6,920	-
Interest and other	3,458	6,232
	1,285,708	**1,552,552**
Expenses		
Salaries and benefits	904,169	899,323
Amortization	212,358	223,460
Security guards	144,383	143,161
Utilities and telephone	88,535	98,462
Office and general	45,253	50,425
Repairs and maintenance	44,969	46,619
Mortgage interest	36,589	37,973
Public communications	27,838	42,492
Insurance and licences	24,641	23,527
Gala evening	15,533	18,567
Professional fees	7,126	6,145
West Wing development expenses	6,920	-
	1,558,314	**1,590,154**
Deficiency of revenues over expenses	**(272,606)**	**(37,602)**
Unrestricted net assets, start of year	380,364	388,124
Change in investment in capital assets	36,411	29,842
Unrestricted net assets, end of year	**$144,169**	**$380,364**

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Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended December 31, 2011

	2011	2010
Operating activities		
Donations	$501,382	$494,042
West Wing development donations, net of expenses	98,310	-
Rent, fees and other income	738,951	807,890
Operating expenses	(1,332,475)	(1,348,582)
	6,168	**(46,650)**
Financing activities		
Mortgage principal repaid	(36,431)	(35,046)
	(36,431)	**(35,046)**
Decrease in cash	**(30,263)**	**(81,696)**
Cash, start of year	365,524	447,220
Cash, end of year	**$335,261**	**$365,524**

Shahid Naqi

Chartered Accountant

1. Organization:

Sonshine Society of Christian Community Services is a not-for-profit organization incorporated under the Societies Act of Alberta to provide care, support and education from a Christian perspective to those who experience physical, mental, emotional, social and or spiritual pain. To effect this, the Society operates a shelter for victims of family violence, offers counseling services and operates a family day home agency.

The Society is exempt from income taxes and as a registered charity issues tax receipts for donations received.

2. Significant accounting policies:

The Society has an elected Board of Directors who have had these financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP) within reasonable limits of materiality using the accounting policies summarized below.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. Actual amounts may differ from these estimates.

i Revenue recognition:

Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are recognized.

Day home fees are recognized on the first day of the month and interest income is accrued daily.

ii Capital assets:

Purchased capital assets are recorded at cost, contributed capital assets are recorded at estimated fair value at the date of contribution. Amortization is provided over the estimated useful lives of the assets by the declining balance method as follows:

Buildings	4%
Furniture and equipment	20%
Computer equipment	30%

iii Donated services:

The Society benefits greatly from donated services from volunteers. As the fair value of these donated services cannot easily be determined, they are not recorded in these financial statements.

3. Capital assets:

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Land	$500,000	$ -	$500,000	$500,000
Building	6,052,007	1,168,082	4,883,925	5,087,422
Furniture and equipment	160,233	128,766	31,467	40,328
	$6,712,240	**$1,296,848**	**$5,415,392**	**$5,627,750**

4. Mortgage payable:

	2011	2010
Mortgage: secured by a first charge on the Society's land and buildings, bearing interest at 3.91% repayable in blended monthly installments of $6,085 and maturing May 1, 2014	$923,536	$959,967
Less: current portion	37,578	36,128
	$885,958	**$923,839**

Principal repayments over the next five years assuming that the mortgage is renewed at current rates are: 2012 - $37,578; 2013 - $39,074; 2014 - $40,629: 2015 - $42,247; 2016 - $43,928 and $720,080 thereafter.

5. Deferred contributions related to capital assets:

These are contributions received to pay, partially, for the construction of the Society's building. These contributions are recognized as revenue by the declining balance method at the rate of 4% per annum, the same rate and method used to amortize the building.

	2011	2010
Balance, start of year	$3,487,909	$3,646,481
Amortized and recognized as revenue	139,516	158,572
Balance, end of year	**$3,348,393**	**$3,487,909**

5. Deferred contributions related to capital assets (continued):

	2011	2010
The year-end balances comprise:		
Canada Mortgage and Housing Corporation The original contribution of $2,050,000 is partially repayable if the Society ceases to use the building as a second stage shelter for victims of family violence. The part repayable reduces by $136,667 annually through to 2022.	$1,741,160	$1,813,709
Government of Canada - National Homelessness Initiative The original contribution of $925,000 is partially repayable if the shelter is converted for another use or sold before March 31, 2012.	716,085	745,922
Calgary Homeless Foundation: Of the original contribution of $525,000, $25,000 is repayable if the shelter is converted for another use or sold before March 31, 2012.	401,609	418,343
Other	489,539	509,935
	$3,348,393	$3,487,909

6. Financial instruments:

The financial instruments are categorized as follows:

Financial asset or liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Fair value:

The fair value of a financial instrument is the estimated amount that would be received or paid to settle a financial asset or liability as at the year-end date.

The fair values of the accounts receivable and accounts payable approximate their carrying values due to their capacity for prompt liquidation.

6. Financial instruments (continued):

Risk management:
Exposure to the risks associated with financial instruments is managed with the objective of reducing volatility in cash flows. The principal risks are:

Cash	Credit risk and interest rate risk
Accounts receivable	Credit risk
Accounts payable	Liquidity risk

Credit risks and interest risk:
The exposure to credit risk arises from the possibility that counter parties may default on their financial obligations.

Of the Society's total deposits of $335,261 at December 31, 2011, $100,000 was insured by the Canada Deposit Insurance Corporation and $124,708 was guaranteed by the Province of Alberta.

There is minimal credit risk exposure on accounts receivable and there is no concentration of credit risk.

Liquidity risk:
Liquidity risk is the risk that the Society will not be able to meet its cash requirements as they come due or be able to liquidate its assets in a timely manner at reasonable prices.

Liquidity risk is managed by the preparation of annual budgets and, through the use of daily interest bank accounts, earn a return while maintaining liquidity.