

Sonshine Society of Christian Community Services

Auditor's Report and Financial Statements

December 31, 2013

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, 2013 and the statements of operations and change 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 accounting standards for not-for-profit organizations, 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 to 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Calgary, Alberta
April 14, 2014

Chartered Accountant

Sonshine Society of Christian Community Services

Balance Sheet

December 31, 2013

	2013			2012
	Children's Centre	General	Total	Total
Assets				
Current				
Cash	\$51,297	\$157,751	\$209,048	\$323,007
Investments, maturing within one year	101,436	-	101,436	100,387
Accounts receivable	-	40,271	40,271	20,180
Goods and Services Tax recoverable	15,747	10,995	26,742	6,036
	168,480	209,017	377,497	449,610
Property and equipment (note 3)	653,782	5,030,720	5,684,502	5,213,173
	\$822,262	\$5,239,737	\$6,061,999	\$5,662,783
Liabilities				
Current				
Accounts payable and accrued liabilities	\$134,221	\$163,042	\$297,263	\$149,783
Current portion of mortgage payable (note 4)	-	40,363	40,363	39,085
	134,221	203,405	337,626	188,868
Non-current				
Mortgage payable (note 4)	-	805,942	805,942	846,583
Donations received but unspent	-	54,192	54,192	-
Deferred capital contributions (note 5)	688,041	3,085,879	3,773,920	3,442,385
	822,262	4,149,418	4,971,680	4,477,836
Net assets				
Invested in property and equipment	-	1,064,277	1,064,277	1,113,048
Unrestricted	-	26,042	26,042	71,899
	-	1,090,319	1,090,319	1,184,947
	\$822,262	\$5,239,737	\$6,061,999	\$5,662,783

Approved by the Board:

_____, Director

_____, Director

Shahid Naqi
Chartered Accountant

Sonshine Society of Christian Community Services

Statement of Operations and Change in Net Assets

Year ended December 31, 2013

	2013	2012
Revenue		
Operations		
Day homes	\$204,444	\$208,326
Shelter	139,580	147,131
Counseling	26,095	30,140
Fundraising and other	59,127	67,385
	429,246	452,982
Donations	572,696	496,888
Grants, including government grants of \$60,000 (2012 - \$110,000)	280,904	276,931
	1,282,846	1,226,801
Amortization of deferred capital contributions	128,578	133,936
Children's centre	-	121,375
	1,411,424	1,482,112
Expenses		
Direct program costs	864,263	833,624
Shelter operations	305,461	288,478
General and administration	44,724	78,520
Fundraising	33,181	18,558
Mortgage interest	33,656	35,151
Professional fees	30,737	6,873
Amortization	194,030	202,218
Children's centre	-	121,375
	1,506,052	1,584,797
Deficiency of revenue over expenses	(94,628)	(102,685)
Unrestricted net assets, start of year	71,899	144,169
Change in investment in property and equipment	48,771	30,415
Unrestricted net assets, end of year	\$26,042	\$71,899

Shahid Naqi
Chartered Accountant

Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Operating activities		
Rent, fees and other	\$398,977	\$471,020
Donations and grants		
Children's centre	460,113	250,606
General	907,792	773,819
Operating expenses	<u>(1,294,312)</u>	<u>(1,369,831)</u>
	<u>472,570</u>	<u>125,614</u>
 Investing activities		
Investments placed	-	(100,000)
Children's centre	(535,308)	-
Equipment and furniture	<u>(11,858)</u>	<u>-</u>
	<u>(547,166)</u>	<u>(100,000)</u>
 Financing activities		
Mortgage repayment	<u>(39,363)</u>	<u>(37,868)</u>
	<u>(39,363)</u>	<u>(37,868)</u>
 Decrease in cash	(113,959)	(12,254)
 Cash, start of year	323,007	335,261
 Cash, end of year	<u><u>\$209,048</u></u>	<u><u>\$323,007</u></u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2013

1. Organization and adoption of accounting standards for not-for-profit organizations:

Sonshine Society of Christian Community Services (Sonshine) is a not-for-profit organization incorporated under the Societies Act of Alberta. Motivated by the Christian faith, Sonshine's mission is to help women and children transform their lives. Sonshine envisions a community where women and children live safely in healthy families.

Sonshine operates a shelter for victims of family violence, offers counseling services and operates a family day home agency. The provision of these services is dependent on Sonshine raising sufficient donations.

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

2. Significant accounting policies:

Sonshine has an elected Board of Directors who had these financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations within reasonable limits of materiality using the accounting policies summarized below.

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 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 Cash and investments:

Cash comprises daily interest bank accounts and investments comprise guaranteed investment certificates.

ii 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 spent. The unspent deferred contributions are considered as restricted cash. Day home fees are recognized on the first day of the month.

iii Property and equipment:

Purchased property and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets by the declining balance method as follows – buildings 4%; furniture and equipment - 20% and computer equipment - 30%.

iv Donated services:

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

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2013

3. Property and equipment:

			2013	2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$500,000	\$ -	\$500,000	\$500,000
Building				
Shelter	6,052,007	1,550,982	4,501,025	4,688,568
Children's centre	653,782	-	653,782	-
Furniture and equipment	171,810	142,115	29,695	24,605
	\$7,377,599	\$1,693,097	\$5,684,502	\$5,213,173

4. Mortgage payable:

	2013	2012
Mortgage:		
secured by a first charge on land and buildings; interest at 3.91% repayable in blended monthly installments of \$6,085 and maturing May 1, 2014	\$846,305	\$885,668
Less: current portion	40,363	39,085
	\$805,942	\$846,583

Principal repayments over the next five years assuming that the mortgage is renewed at current rates are: 2014 - \$40,363; 2015 - \$42,259; 2016 - \$43,941; 2017 - \$45,692; 2018 - \$47,510 and \$626,540 thereafter.

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2013

5. Deferred contributions related to property and equipment:

These are contributions received to pay, partially, for the building and children's centre, which are recognized as revenue at the same rate and method used to amortize the building.

	<u>2013</u>	<u>2012</u>
Balance, start of year	\$3,442,385	\$3,348,393
Received in the year – Children's centre	460,113	250,606
Less recognized as revenue	128,578	156,614
Balance, end of year	<u>\$3,773,920</u>	<u>\$3,442,385</u>

	<u>2013</u>	<u>2012</u>
The year-end balances comprise contributions received from:		
Canada Mortgage and Housing Corporation original contribution of \$2,050,000; partially repayable if Sonshine ceases to use the building as a second stage shelter for victims of family violence. The part repayable, reduces by \$136,667 each year through to 2022.	\$1,604,653	\$1,671,514
Government of Canada - National Homelessness Initiative original contribution of \$925,000	659,944	687,441
Calgary Homeless Foundation original contribution of \$525,000	370,123	385,545
Children's centre	688,041	227,928
Other donors	451,159	469,957
	<u>\$3,773,920</u>	<u>\$3,442,385</u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2013

6. Financial instruments:

The financial instruments are categorized as follows:

Financial asset or liability	Category	Measurement
Cash	Held for trading	Fair value
Investments	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. The investments are recorded at cost plus accrued interest.

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

Credit risks and interest rate risk:

The exposure to credit risk arises from the possibility that counter parties may default on their financial obligations.

Of Sonshine's total deposits of \$330,484 at December 31, 2013, \$100,000 was insured by the Canada Deposit Insurance Corporation and \$225,906 was guaranteed by the Province of Alberta. The average rate of interest on the total cash and investments was 0.49% (2012 – 0.37% on \$423,394).

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 Sonshine 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, earning a return while maintaining liquidity.

7. Comparative figures:

The comparative figures for 2012 have been restated to correct an error whereby \$14,488 of shelter rent for January 2013 was recorded as 2012 income. The 2012 comparative figures for shelter rent and unrestricted net assets are lower and accounts payable is higher by \$14,488 than previously reported.