

Sonshine Society of Christian Community Services

Auditor's Report and Financial Statements

March 31, 2020

Independent Auditor's Report

To: Sonshine Society of Christian Community Services

Qualified Opinion

I have audited the financial statements of **Sonshine Society of Christian Community Services (the Society)**, which comprise the statement of financial position as at March 31, 2020 and the statements of operations and change in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2020, 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.

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.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Society in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Canadian accounting standards for not-for-profit organizations 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 Society'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 Society'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 Society's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

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.

I 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 I identify during my audit.

Calgary, Alberta
May 26, 2020


Shahid Naqi Professional Corporation
Chartered Professional Accountant

Sonshine Society of Christian Community Services

Statement of Operations and Change in Net Assets

March 31, 2020

	2020	2019
Revenue		
Operations		
Shelter, rent and other	\$186,404	\$181,299
Children's centre, parent fees	111,735	143,594
Day homes	256,538	246,562
Fundraising and other	186,258	140,291
	740,935	711,746
Government grants	1,538,902	1,594,360
Donations	502,490	751,946
Amortization of deferred capital contributions	140,822	147,693
	2,923,149	3,205,745
Expenses		
Direct program costs	2,526,536	2,509,796
Occupancy costs	207,068	199,713
General and administration	107,219	100,613
Fundraising	51,276	44,605
Callable debt interest	31,887	31,888
Amortization	224,611	223,956
	3,148,597	3,110,571
Excess (deficiency) of revenue over expenses	(225,448)	95,174
Unrestricted net assets, start of year	952,587	923,891
Change in investment in property and equipment	3,509	(66,478)
Unrestricted net assets, end of year	\$730,648	\$952,587

Sonshine Society of Christian Community Services

Statement of Financial Position

Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
Assets		
Current		
Cash	\$544,684	\$871,708
Accounts receivable	57,339	105,166
Goods and Services Tax recoverable	13,358	15,897
Prepaid expenses	14,961	3,538
	630,342	996,309
Non-current		
Investment (note 2)	517,964	520,300
Property and equipment (note 3)		
	5,200,853	5,372,097
	\$6,349,159	\$6,888,706
Liabilities		
Current		
Accounts payable and accrued liabilities	\$151,049	\$193,831
Revenue received in advance (note 4)	266,609	370,191
Scheduled cash repayments for callable debt (note 5)	27,919	26,626
	445,577	590,648
Callable debt (note 5)	641,819	670,025
	1,087,396	1,260,673
Non-current		
Deferred capital contributions (note 6)	3,325,439	3,466,261
	4,412,835	4,726,934
Net assets		
Invested in property and equipment	1,205,676	1,209,185
Unrestricted	730,648	952,587
	1,936,324	2,161,772
	\$6,349,159	\$6,888,706

Approved by the Board:

 _____, Director

 _____, Director

Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
Operating activities		
Rent, fees and other	\$791,098	\$637,248
Donations and grants	1,937,810	2,375,918
Operating expenses	(2,975,652)	(2,842,343)
	<u>(246,744)</u>	<u>170,823</u>
Investing activities		
Property and equipment	(53,367)	(115,830)
Long-term investment	-	(500,000)
	<u>(53,367)</u>	<u>(615,830)</u>
Financing activity		
Loan repayment	(26,913)	(26,912)
Decrease in cash	<u>(327,024)</u>	<u>(471,919)</u>
Cash, start of year	871,708	1,343,627
Cash, end of year	<u><u>\$544,684</u></u>	<u><u>\$871,708</u></u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2020

Organization:

Sonshine Society of Christian Community Services (Sonshine) is a not-for-profit organization incorporated under the Societies Act of Alberta. A registered charity, Sonshine is exempt from income tax and issues tax receipts for donations received.

Sonshine is motivated by the Christian faith, its mission is to help women and children transform their lives and envisions a community where women and children live safely in healthy families.

To fulfill its mission Sonshine provides shelter and counseling services to victims of family violence, its Children's Centre focuses on the needs of children exposed to family violence and other emotional trauma and it operates a family day home agency.

The continued operations of Sonshine rely upon raising sufficient donations.

1. Significant accounting policies:

The Board of Directors of Sonshine have 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:

Cash comprises daily interest bank accounts.

ii. Revenue recognition:

Unrestricted donations are recognized as revenue when received, restricted donations are recognized in the year the related expenses are incurred. Fees and shelter rent are recognized on the first day of each month.

iii. Property and equipment:

Property and equipment is 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 volunteers' time; as the fair value of these contributed services cannot easily be determined they are not recognized in these financial statements.

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2020

1. Significant accounting policies (continued):

v. Financial instruments:

Financial instruments including cash, investment, accounts receivable, accounts payable, deposits and callable debt are initially measured at fair value and subsequently at amortized cost, except the investment which is measured at fair value.

2. Investment:

An initial investment of \$500,000 has been pooled with funds from other organizations, is managed by the Calgary Foundation and realizable upon 60 days' notice, however Sonshine views it as a long-term asset.

3. Property and equipment:

			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$500,000	\$ -	\$500,000	\$500,000
Building				
Shelter	6,462,291	2,605,125	3,857,166	4,017,881
Children's Centre	853,178	157,490	695,688	724,675
Furniture and equipment	430,003	282,004	147,999	129,541
	\$8,245,472	\$3,044,619	\$5,200,853	\$5,372,097

4. Revenue received in advance:

	Casino	Grants and other	Total	2019
Balance, start of year	\$45,128	\$325,063	\$370,191	\$334,202
Received	69,762	262,429	332,191	392,293
Recognized as income	(110,710)	(325,063)	(435,773)	(356,304)
Balance, end of year	\$4,180	\$262,429	\$266,609	\$370,191

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2020

5. Callable debt:

	<u>2020</u>	<u>2019</u>
Bank term loan evidenced by a General Security Agreement, secured by a first mortgage on the land and buildings (carrying value of \$5,052,853) and by an assignment of shelter rents; interest at prime plus 0.75% (2020 – 4.70% and 2019 - 4.70%) repayable In blended monthly payments of \$4,900; maturing Oct 31, 2034	\$669,738	\$696,651
Less scheduled cash repayments in next fiscal year	27,919	26,626
	<u><u>\$641,819</u></u>	<u><u>\$670,025</u></u>

Scheduled cash repayments over the next five years assuming that the term-loan is paid at current rates are: 2021 - \$27,919; 2022 - \$29,259; 2023 - \$30,665; 2024 - \$32,137; 2025 - \$33,681 and \$516,077 thereafter.

6. Deferred capital contributions:

Contributions received to pay, partially, for the building and equipment are recorded as deferred revenue and recognized as income by amortizing the accumulation at the same rate and method used to amortize the building and equipment.

	<u>2020</u>	<u>2019</u>
Balance, start of year	\$3,466,261	\$3,613,954
Amortized and recorded as revenue	(140,822)	(147,693)
Balance, end of year	<u><u>\$3,325,439</u></u>	<u><u>\$3,466,261</u></u>

If Sonshine ceases to use the building as a shelter prior to 2022 contributions of \$273,334 (reducing by \$136,667 annually) would be repayable to the Canada Housing and Mortgage Corporation.

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2020

7. Financial instruments:

Sonshine is exposed to the following risks through its financial instruments which are managed to reduce volatility in its cash flows:

Cash and investment	Credit risk and interest rate risk
Accounts receivable	Credit risk
Accounts payable	Liquidity risk
Bank loan	Liquidity risk

Credit risk and interest rate risk:

Credit risk is the possibility of a counter party defaulting on their financial obligations. The total cash of \$544,684 on March 31, 2020 was guaranteed by the Province of Alberta.

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. This risk is managed by the preparation of cash flow forecasts, using prudent cash management practices and by using daily interest bank accounts, earning a return while maintaining liquidity.

8. Capital disclosures:

Sonshine's capital is its net assets, which it preserves through pricing of the services provided, the arranging of grants and the soliciting of donations to recover as much of the cost of its services as possible.

Final Audited Financial Statements

Final Audit Report

2020-06-05

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