

Sonshine Society of Christian Community Services

Auditor's Report and Financial Statements

March 31, 2022

Independent Auditor's Report

To: Sonshine Society of Christian Community Services

Qualified Opinion

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 **Sonshine Society of Christian Community Services (Sonshine)** as at March 31, 2022, 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.

I have audited

Sonshine's financial statements comprise:

- the statement of financial position as at **March 31, 2022**;
- the statement of operations and change in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Sonshine 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 Sonshine 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Independence

I am independent of Sonshine 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.

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 Sonshine'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 Sonshine or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sonshine'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 Sonshine'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 Sonshine'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 Sonshine'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 Sonshine 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 30, 2022

Shahid Naqi Professional Corporation
Shahid Naqi Professional Corporation
Chartered Professional Accountant

Sonshine Society of Christian Community Services

Statement of Operations and Change in Net Assets

March 31, 2022

	2022	2021
Revenue		
Shelter, rent and other	\$193,825	\$189,014
Children's centre	146,126	54,630
Day homes	280,317	238,540
Fundraising and other	895,123	782,887
Donations for mortgage repayment	-	518,577
Government grants	1,754,026	1,688,673
Unrealized gain on investment	12,541	59,664
Interest and other income	36,913	33,613
Amortization of deferred capital contributions	128,700	134,537
	3,447,571	3,700,135
Expenses		
Direct program costs, net of wage subsidy of \$262,038 (2021 - \$645,588)	2,623,969	1,834,220
Occupancy	232,406	245,322
Amortization	214,760	219,401
General and administration	108,979	95,374
Fundraising	39,241	40,737
Callable debt interest	2,725	17,924
	3,222,080	2,452,978
Excess of revenue over expenses	225,491	1,247,157
Unrestricted net assets, start of year	1,478,053	730,648
Change in investment in property and equipment	(50,903)	(499,752)
Unrestricted net assets, end of year	\$1,652,641	\$1,478,053

Sonshine Society of Christian Community Services

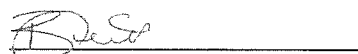
Statement of Financial Position

Year ended March 31, 2022

	2022	2021
Assets		
Current		
Cash	\$1,226,289	\$499,624
Guaranteed investment certificates	-	500,000
Accounts receivable	202,485	75,746
Goods and Services Tax recoverable	31,477	14,440
Prepaid expenses	10,517	2,248
	1,470,768	1,092,058
Investment (note 2)	639,210	598,411
Property and equipment (note 3)	4,872,744	5,006,615
	\$6,982,722	\$6,697,084
Liabilities		
Current		
Accounts payable and accrued liabilities	\$382,910	\$179,617
Restricted donations and parent fees received in advance	74,427	32,799
Scheduled cash repayments for callable debt (note 4)	54,210	54,786
	511,547	267,202
Callable debt (note 4)	-	55,499
	511,547	322,701
Non-current		
Deferred capital contributions (note 5)	3,062,202	3,190,902
	3,573,749	3,513,603
Net assets		
Invested in property and equipment	1,756,332	1,705,428
Unrestricted	1,652,641	1,478,053
	3,408,973	3,183,481
	\$6,982,722	\$6,697,084

Approved by the Board:

 , Director

 , Director

Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
Operating activities		
Receipts	\$3,192,962	\$3,232,934
Operating expenses	(2,829,333)	(2,193,379)
	<u>363,629</u>	<u>1,039,555</u>
Investing activities		
Guaranteed investment certificates redeemed (placed)	500,000	(500,000)
Property and equipment	(80,889)	(25,162)
	<u>419,111</u>	<u>(525,162)</u>
Financing activity		
Callable debt repaid	(56,075)	(559,453)
Increase (decrease) in cash	726,665	(45,060)
Cash, start of year	499,624	544,684
Cash, end of year	<u><u>\$1,226,289</u></u>	<u><u>\$499,624</u></u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2022

Organization:

Sonshine Society of Christian Community Services (Sonshine) motivated by the Christian faith seeks to help women and children transform their lives and envisions a community where women and children live safely in healthy families.

Sonshine provides safety through its 24 unit shelter; life transformation by providing counselling for women and children victims of family violence; meets the needs of children exposed to family violence and other emotional trauma with the Children's Centre, and operates a family day home agency.

Incorporated under the Societies Act of Alberta; Sonshine as a not-for-profit organization and as a registered charity is exempt from income tax and issues tax receipts for donations received.

The ongoing fulfillment of Sonshine's mission is dependent on its receiving donations.

COVID – 19:

Sonshine is exposed to increase risk due to the COVID-19 pandemic principally through the general economic uncertainty possibly leading to increased demand for intervention, higher operating costs and lower donor support. The extent of the uncertainty and its duration cannot be quantified and may persist after the subsidence of the pandemic.

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. Areas requiring significant judgement are the collectability of accounts receivable and the estimation of the useful life of the property and equipment.

i. Cash:

Cash comprises daily interest bank accounts.

ii. Revenue recognition:

Unrestricted donations are recognized as revenue when received, restricted donations when the related expenses are incurred, shelter rent in the applicable month and fees when the service is provided.

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2022

- i. Significant accounting policies (continued):**
- 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 – buildings 4%; furniture and equipment - 20% and computer equipment - 30%.
- iv. Donated services:**
Volunteers donate time and expertise, as the fair value of these contributed services cannot easily be determined they are not recognized in these financial statements.
- v. Financial instruments:**
Financial instruments including cash, investments, 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 in a fund managed by the Calgary Foundation is carried at fair value; the investment income and change in fair value are reported in the statement of operations. The investment which is realizable on 60 days' notice, is considered as a long-term asset.

3. Property and equipment:

			2022	2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$500,000	\$ -	\$500,000	\$500,000
Building				
Shelter	6,479,439	2,907,870	3,571,569	3,702,879
Children's Centre	853,178	212,032	641,146	667,860
Furniture and equipment	518,907	358,878	160,029	135,876
	\$8,351,524	\$3,478,780	\$4,872,744	\$5,006,615

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2022

4. Callable debt:

	<u>2022</u>	<u>2021</u>
Bank term loan under a General Security Agreement and a first mortgage on the land and buildings (carrying value of \$4,712,714) and by an assignment of shelter rents; interest at prime plus 0.75% (2022 - 3.45% and 2021 - 3.20%) blended monthly payments of \$4,900	\$54,210	\$110,285
Less scheduled cash repayments in next fiscal year	<u>54,210</u>	<u>54,786</u>
	<u>\$ -</u>	<u>\$55,499</u>

5. Deferred capital contributions:

Contributions received to pay for property and equipment are recorded as deferred capital contributions and amortized annually at the same rate and method used to amortize the asset purchased.

	<u>2022</u>	<u>2021</u>
Balance, start of year	\$3,190,902	\$3,325,439
Amortized and recorded as revenue	(128,700)	(134,537)
Balance, end of year	<u>\$3,062,202</u>	<u>\$3,190,902</u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2022

6. 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
Accounts receivable	Credit risk
Accounts payable	Liquidity risk
Callable debt	Liquidity risk

Credit risk:

Credit risk is the possibility of a counter party defaulting on their financial obligations. Sonshine's bank accounts totaling \$1,225,989 on March 31, 2022 were guaranteed by the Province of Alberta. More than 90% of the accounts receivable are for day home operations and due from the Province of Alberta with minimal credit risk; the remainder being parent fees and rent with a low 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. This risk is managed by the preparation of cash flow forecasts, using prudent cash management practices and by using daily interest bank accounts to earn a return while maintaining liquidity.

7. Capital disclosures:

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