

**Sonshine Society of Christian Community Services**

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Auditor's Report and Financial Statements

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March 31, 2021

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## ***Independent Auditor's Report***

**To: Sonshine Society of Christian Community Services**

### ***Qualified Opinion***

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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, 2021, 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, 2021**;
- 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***

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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  
June 7, 2021

*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, 2021

	<u>2021</u>	<u>2020</u>
<b>Revenue</b>		
Shelter, rent and other	\$189,014	\$186,404
Children's centre, parent fees	54,630	111,735
Day homes	238,540	256,538
Fundraising and other	782,887	678,725
Donations for mortgage repayment	518,577	-
Government grants	1,688,673	1,550,872
Unrealized gain (loss) on investment	59,664	(20,031)
Investment and other income	33,613	18,084
Amortization of deferred capital contributions	134,537	140,822
	<u><b>3,700,135</b></u>	<u><b>2,923,149</b></u>
<b>Expenses</b>		
Direct program costs	1,834,220	2,526,536
Occupancy costs	245,322	207,068
Amortization	219,401	224,611
General and administration	95,374	107,219
Fundraising	40,737	51,276
Callable debt interest	17,924	31,887
	<u><b>2,452,978</b></u>	<u><b>3,148,597</b></u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>1,247,157</b>	<b>(225,448)</b>
Unrestricted net assets, start of year	730,648	952,587
Change in investment in property and equipment	(499,752)	3,509
<b>Unrestricted net assets, end of year</b>	<u><u><b>\$1,478,053</b></u></u>	<u><u><b>\$730,648</b></u></u>

## Sonshine Society of Christian Community Services

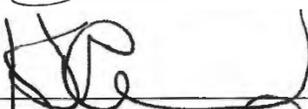
### Statement of Financial Position

Year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
<b><u>Assets</u></b>		
<b>Current</b>		
Cash	\$499,624	\$544,684
Guaranteed investment certificates, five certificates: interest at 0.54%, maturing November 26, 2021	500,000	-
Accounts receivable	75,746	57,339
Goods and Services Tax recoverable	14,440	13,358
Prepaid expenses	2,248	14,961
	<u>1,092,058</u>	<u>630,342</u>
<b>Long term investment</b> (note 2)	598,411	517,964
<b>Property and equipment</b> (note 3)	5,006,615	5,200,853
	<u><u>\$6,697,084</u></u>	<u><u>\$6,349,159</u></u>
<b><u>Liabilities</u></b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$179,617	\$151,049
Government grants received in advance	-	247,036
Unspent casino receipts and restricted donations	32,799	19,573
Scheduled cash repayments for callable debt (note 4)	54,786	27,919
	<u>267,202</u>	<u>445,577</u>
Callable debt (note 4)	55,499	641,819
	<u>322,701</u>	<u>1,087,396</u>
<b>Non-current</b>		
Deferred capital contributions (note 5)	3,190,902	3,325,439
	<u>3,513,603</u>	<u>4,412,835</u>
<b><u>Net assets</u></b>		
Invested in property and equipment	1,705,428	1,205,676
Unrestricted	1,478,053	730,648
	<u>3,183,481</u>	<u>1,936,324</u>
	<u><u>\$6,697,084</u></u>	<u><u>\$6,349,159</u></u>

Approved by the Board:

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

## Sonshine Society of Christian Community Services

### Statement of Cash Flows

Year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Receipts	\$3,232,934	\$2,728,908
Operating expenses	(2,193,379)	(2,975,652)
	<u>1,039,555</u>	<u>(246,744)</u>
<b>Investing activities</b>		
Property and equipment	(25,162)	(53,367)
Investments placed	(500,000)	-
	<u>(525,162)</u>	<u>(53,367)</u>
<b>Financing activity</b>		
Callable debt repaid	(559,453)	(26,913)
<b>Decrease in cash</b>	<u>(45,060)</u>	<u>(327,024)</u>
Cash, start of year	544,684	871,708
<b>Cash, end of year</b>	<u><u>\$499,624</u></u>	<u><u>\$544,684</u></u>

## Sonshine Society of Christian Community Services

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### Notes to Financial Statements

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March 31, 2021

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**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.

**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.

**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.

## Sonshine Society of Christian Community Services

### Notes to Financial Statements

March 31, 2021

**1. 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 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.

**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:**

Sonshine made an investment of \$500,000 in a fund managed by the Calgary Foundation which is carried at fair value with the investment income and change in fair value being included in the statement of operations. While the investment can be realizable on 60 days' notice, it is considered as a long-term asset.

**3. Property and equipment:**

			2021	2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$500,000	\$ -	\$500,000	\$500,000
Building				
Shelter	6,462,291	2,759,412	3,702,879	3,857,166
Children's Centre	853,178	185,318	667,860	695,688
Furniture and equipment	455,166	319,290	135,876	147,999
	<b>\$8,270,635</b>	<b>\$3,264,020</b>	<b>\$5,006,615</b>	<b>\$5,200,853</b>

## Sonshine Society of Christian Community Services

### Notes to Financial Statements

March 31, 2021

#### 4. Callable debt:

	<u>2021</u>	<u>2020</u>
Bank term loan evidenced by a General Security Agreement and secured by a first mortgage on the land and buildings (carrying value of \$4,870,739) and by an assignment of shelter rents; interest at prime plus 0.75% (2021 - 3.20% and 2020 - 4.70%) blended monthly payments of \$4,900; maturing March 31, 2023	\$110,285	\$669,738
Less scheduled cash repayments in next fiscal year	54,786	27,919
	<u><b>\$55,499</b></u>	<u><b>\$641,819</b></u>

Scheduled cash repayments assuming current rates are: 2022 - \$54,786 and 2023 - \$55,499.

#### 5. Deferred capital contributions:

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

	<u>2021</u>	<u>2020</u>
Balance, start of year	\$3,325,439	\$3,466,261
Amortized and recorded as revenue	(134,537)	(140,822)
<b>Balance, end of year</b>	<u><b>\$3,190,902</b></u>	<u><b>\$3,325,439</b></u>

If, prior to 2022 the building is used for a purpose other than as a shelter then contributions of \$136,667 would be repayable to the Canada Mortgage and Housing Corporation.

## Sonshine Society of Christian Community Services

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### Notes to Financial Statements

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March 31, 2021

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**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 investments	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. Of Sonshine's total deposits of \$999,624 on March 31, 2021, \$999,155 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.

**7. 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.