

Sonshine Society of Christian Community Services

Auditor's Report and Financial Statements

December 31, 2012

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, 2012 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 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.

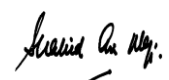
Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not susceptible 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, 2012, 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 19, 2013



Chartered Accountant

Sonshine Society of Christian Community Services

Balance Sheet

December 31, 2012

| | <u>December 31,</u> | | <u>January 1,</u> |
|--|---------------------|--------------------|--------------------|
| | <u>2012</u> | <u>2011</u> | <u>2011</u> |
| <u>Assets</u> | | | |
| Current assets | | | |
| Cash | \$195,466 | \$236,951 | \$365,524 |
| Cash and investments, Children's Centre Development | 227,928 | 98,310 | - |
| Accounts receivable | 20,180 | 23,730 | 111,638 |
| Goods and Services Tax recoverable | 6,036 | 4,240 | 2,278 |
| Prepaid expenses | - | 4,295 | 15,528 |
| | 449,610 | 367,526 | 494,968 |
| Property and equipment (note 3) | 5,213,173 | 5,415,392 | 5,627,750 |
| | \$5,662,783 | \$5,782,918 | \$6,122,718 |
| | | | |
| <u>Liabilities</u> | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$135,295 | \$125,047 | \$114,604 |
| Current portion of mortgage payable (note 4) | 39,085 | 37,578 | 36,128 |
| | 174,380 | 162,625 | 150,732 |
| Mortgage payable (note 4) | 846,583 | 885,958 | 923,839 |
| Donations, unspent for the Children's Centre Development | 227,928 | 98,310 | - |
| Deferred contributions (note 5) | 3,214,457 | 3,348,393 | 3,487,909 |
| | 4,463,348 | 4,495,286 | 4,562,480 |
| | | | |
| <u>Net assets</u> | | | |
| Invested in property and equipment | 1,113,048 | 1,143,463 | 1,179,874 |
| Unrestricted | 86,387 | 144,169 | 380,364 |
| | 1,199,435 | 1,287,632 | 1,560,238 |
| | \$5,662,783 | \$5,782,918 | \$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, 2012

| | 2012 | 2011 |
|--|------------------|------------------|
| Revenues | | |
| Donations | \$496,888 | \$411,040 |
| Day homes, fees and other | 208,326 | 200,930 |
| Foundation grants | 166,931 | 232,001 |
| Shelter rent | 161,619 | 144,916 |
| Deferred contributions | 133,936 | 139,516 |
| Children's Centre Development | 121,375 | 6,920 |
| Government grants | 110,000 | 70,224 |
| Gala evening | 66,583 | 50,354 |
| Counseling fees | 30,140 | 26,349 |
| Interest and other | 802 | 3,458 |
| | 1,496,600 | 1,285,708 |
| Expenses | | |
| Direct program costs | 833,624 | 925,510 |
| Amortization | 202,218 | 212,358 |
| Security guards | 149,709 | 144,383 |
| Children's Centre Development | 121,375 | 6,920 |
| Utilities and telephone | 86,171 | 88,535 |
| Public communications | 59,632 | 27,838 |
| Mortgage interest | 35,151 | 36,589 |
| Repairs and maintenance | 28,816 | 44,969 |
| Insurance and licences | 23,782 | 24,641 |
| Office and general | 18,888 | 23,912 |
| Gala evening | 18,558 | 15,533 |
| Professional fees | 6,873 | 7,126 |
| | 1,584,797 | 1,558,314 |
| Deficiency of revenues over expenses | (88,197) | (272,606) |
| Unrestricted net assets, start of year | 144,169 | 380,364 |
| Change in investment in property and equipment | 30,415 | 36,411 |
| Unrestricted net assets, end of year | \$86,387 | \$144,169 |

Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended December 31, 2012

| | <u>2012</u> | <u>2011</u> |
|--|-------------------------|-------------------------|
| Operating activities | | |
| Donations | \$496,888 | \$501,382 |
| Children's Centre Development revenue | 250,606 | 105,230 |
| Rent, fees and other income | 747,951 | 738,951 |
| Children's Centre Development expenses | (121,375) | (6,920) |
| Operating expenses | (1,248,456) | (1,332,475) |
| | <u>125,614</u> | <u>6,168</u> |
| | | |
| Financing activities | | |
| Investments placed | (100,000) | - |
| Mortgage repayment | (37,868) | (36,431) |
| | <u>(137,868)</u> | <u>(36,431)</u> |
| | | |
| Decrease in cash | (12,254) | (30,263) |
| | | |
| Cash, start of year | 335,261 | 365,524 |
| | | |
| Cash, end of year | <u>\$323,007</u> | <u>\$335,261</u> |
| | | |
| Cash and investments: | | |
| Cash | | |
| Unrestricted | \$195,466 | \$236,951 |
| Children's Centre Development | 127,541 | 98,310 |
| | <u>323,007</u> | <u>335,261</u> |
| | | |
| Investments, Children's Centre Development | 100,387 | - |
| | <u>\$423,394</u> | <u>\$335,261</u> |

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2012

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.

These are the first financial statements prepared in accordance with Part III of the Canadian Institute of Chartered Accountants Handbook – accounting standards for not-for-profit organizations (Part III). Sonshine issued annual financial statements under the previous Canadian generally accepted accounting principles to December 31 of each year up to and including December 31, 2011.

The date of transition to Part III was January 1, 2011; the balance sheet at that date and the statements of operations and changes in net assets and cash flows for the years ending December 31, 2011 and December 31, 2012 have been prepared in accordance with Part III. There were no material differences arising from the adoption of Part III when compared with the amounts previously reported.

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

iii Property and equipment:

Purchased property and equipment are recorded at cost, contributed property and equipment 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% and computer equipment - 30%.

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2012

2. Significant accounting policies: (continued)

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.

3. Property and equipment:

| | Cost | Accumulated Amortization | 2012 Net Book Value | 2011 Net Book Value |
|-------------------------|--------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$500,000 | \$ - | \$500,000 | \$500,000 |
| Building | 6,052,007 | 1,363,439 | 4,688,568 | 4,883,925 |
| Furniture and equipment | 160,233 | 135,628 | 24,605 | 31,467 |
| | \$6,712,240 | \$1,499,067 | \$5,213,173 | \$5,415,392 |

4. Mortgage payable:

| | 2012 | 2011 |
|--|------------------|------------------|
| 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 | \$885,668 | \$923,536 |
| Less: current portion | 39,085 | 37,578 |
| | \$846,583 | \$885,958 |

Principal repayments over the next five years assuming that the mortgage is renewed at current rates are: 2013 - \$39,085; 2014 - \$40,641; 2015 - \$42,259; 2016 - \$43,941; 2017 - \$45,692; and \$674,050 thereafter.

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2012

5. Deferred contributions related to property and equipment:

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

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|---------------------------|---------------------------|
| Balance, start of year | \$3,348,393 | \$3,487,909 |
| Recognized as revenue | 133,936 | 139,516 |
| Balance, end of year | <u>\$3,214,457</u> | <u>\$3,348,393</u> |

| | <u>2012</u> | <u>2011</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. | \$1,671,514 | \$1,741,160 |
| Government of Canada - National Homelessness Initiative original contribution of \$925,000 | 687,441 | 716,085 |
| Calgary Homeless Foundation original contribution of \$525,000 | 385,545 | 401,609 |
| Other donors | 469,957 | 489,539 |
| | <u>\$3,214,457</u> | <u>\$3,348,393</u> |

Sonshine Society of Christian Community Services

Notes to Financial Statements

December 31, 2012

6. Financial instruments:

The financial instruments are categorized as follows:

| <u>Financial asset or liability</u> | <u>Category</u> | <u>Measurement</u> |
|--|-----------------------------|--------------------|
| 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 fair value of the investments is recorded as 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 \$423,394 at December 31, 2012, \$100,000 was insured by the Canada Deposit Insurance Corporation and \$252,749 was guaranteed by the Province of Alberta. The average rate of interest on the total cash and investments was 0.37%.

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, earn a return while maintaining liquidity.