

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 statement of financial position as at March 31, 2018 and the statements of operations and change in operating fund, 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 management determines is 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 March 31, 2018, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
June 5, 2018


Chartered Accountant


Sonshine Society of Christian Community Services


Statement of Financial Position

March 31, 2018

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current		
Cash	\$1,343,627	\$1,369,971
Accounts receivable	63,536	43,428
Goods and Services Tax recoverable	21,003	14,125
Prepaid expenses	922	922
	<u>1,429,088</u>	<u>1,428,446</u>
Property and equipment (note 2)	5,480,224	5,294,446
	<u><u>\$6,909,312</u></u>	<u><u>\$6,722,892</u></u>
<u>Liabilities</u>		
Current		
Accounts payable and accrued liabilities	\$152,050	\$136,911
Revenue received in advance	27,031	30,082
Unspent grants and casino proceeds (note 3)	326,116	385,008
Scheduled cash repayments for term-loan (note 4)	28,964	33,306
	<u>534,161</u>	<u>585,307</u>
Term-loan (note 4)	694,599	720,834
	<u>1,228,760</u>	<u>1,306,141</u>
Non-current		
Deferred capital contributions (note 5)	3,613,953	3,506,612
	<u>4,842,713</u>	<u>4,812,753</u>
<u>Net assets</u>		
Invested in property and equipment	1,142,708	1,033,694
Unrestricted	923,891	876,445
	<u>2,066,599</u>	<u>1,910,139</u>
	<u><u>\$6,909,312</u></u>	<u><u>\$6,722,892</u></u>

Approved by the Board:


_____, Director


_____, Director

Sonshine Society of Christian Community Services

Statement of Operations and Change in Net Assets

Year ended March 31, 2018

	2018	2017
Revenue		
Operations		
Day homes	\$242,879	\$224,163
Shelter	190,283	182,832
Children's centre	178,582	207,123
Fundraising and other	183,716	107,890
	795,460	722,008
Government grants	1,299,366	1,191,069
Donations	732,445	579,870
Amortization of deferred capital contributions	152,898	154,187
	2,980,169	2,647,134
Expenses		
Direct program costs	2,246,407	1,921,863
Building operations	187,725	167,784
General and administration	90,991	74,965
Fundraising	51,541	25,369
Term-loan interest	28,224	26,625
Amortization	218,822	221,616
	2,823,710	2,438,222
Excess of revenue over expenses	156,459	208,912
Unrestricted net assets, start of year	876,445	665,707
Change in investment in property and equipment	(109,013)	1,826
Unrestricted net assets, end of year	\$923,891	\$876,445

Sonshine Society of Christian Community Services

Statement of Cash Flows

Year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
Operating activities		
Rent, fees and other	\$772,301	\$745,468
Donations and grants	2,233,158	1,912,119
Operating expenses	<u>(2,596,626)</u>	<u>(2,230,731)</u>
	<u>408,833</u>	<u>426,856</u>
Investing activity		
Property and equipment purchased	(404,600)	(33,428)
Financing activity		
Term-loan repayment	(30,577)	(32,175)
Increase (decrease) in cash	<u>(26,344)</u>	<u>361,253</u>
Cash, start of year	1,369,971	1,008,718
Cash, end of year	<u><u>\$1,343,627</u></u>	<u><u>\$1,369,971</u></u>

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2018

Organization:

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, its 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 and offers counseling services to victims of family violence, operates a family day home agency and, from 2015, a Children's Centre focused on the needs of children exposed to family violence and other forms of emotional trauma.

The continued operations of Sonshine rely upon raising sufficient donations.

As a registered charity, Sonshine is exempt from income taxes and can issue tax receipts for donations received.

1. 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:

Cash comprises daily interest bank accounts.

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. Day home 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%.

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2018

1. Significant accounting policies (continued):

iv. Donated services:

Volunteers carry out many activities for Sonshine. Due to the difficulty of determining their fair values, contributed services are not recognized in these financial statements.

v. Financial instruments:

The financial instruments of Sonshine include cash, accounts receivable, accounts payable, deposits and term-loan, which are initially measured at fair value and subsequently at amortized cost.

At the end of each reporting period, the existence of indicators of impairment (such as financial difficulties of debtors) are assessed with a view of determining the carrying value of the financial instruments.

2. Property and equipment:

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$500,000	\$ -	\$500,000	\$500,000
Building				
Shelter	6,462,291	2,276,999	4,185,292	3,973,799
Children's Centre	800,877	99,398	701,479	730,707
Furniture and equipment	313,108	219,655	93,453	89,940
	\$8,076,276	\$2,596,052	\$5,480,224	\$5,294,446

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2018

3. Unspent grants and casino proceeds:

	<u>Casino</u>	<u>Grants</u>	<u>Total</u>	<u>2017</u>
Balance, start of period	\$69,770	\$315,238	\$385,008	\$265,362
Received	7,359	286,000	293,359	227,378
Recognized as income	72,013	280,238	352,251	107,732
Balance, end of period	\$5,116	\$321,000	\$326,116	\$385,008

4. Term loan:

	<u>2018</u>	<u>2017</u>
Bank term loan evidenced by a General Security Agreement and secured by a first mortgage on the land and buildings with a carrying value of \$5,204,506 and by an assignment of shelter rents. Interest at 4.20% blended monthly payments of \$4,900; maturing Oct 31, 2034	\$723,563	\$754,140
Less scheduled cash repayments in next fiscal year	28,964	33,306
	\$694,599	\$720,834

Scheduled cash repayments over the next five years assuming that the term-loan is paid at current rates are: 2019 - \$28,964; 2020 - \$30,204; 2021 - \$31,497; 2022 - \$32,846; 2023 - \$34,252 and \$565,800 thereafter.

Sonshine Society of Christian Community Services

Notes to Financial Statements

March 31, 2018

5. Deferred capital contributions:

Contributions received to pay, partially, for the building and equipment are recorded as revenue at the same rate and method used to amortize the building and equipment.

	2018	2017
Balance, start of year	\$3,506,612	\$3,660,799
Additions	260,239	-
Amortized and recorded as revenue	(152,898)	(154,187)
Balance, end of year	\$3,613,953	\$3,506,612

In the event that Sonshine ceases to use the building as a second-stage shelter for victims of family violence, \$683,335 of contributions received would be repayable to Canada Housing and Mortgage Corporation. The amount repayable reduces annually by \$136,667 to 2022

6. Financial instruments:

Sonshine is exposed to various risks through its financial instruments and manages these risks with the objective of reducing volatility in its cash flows. The principal risks are:

Cash	Credit risk and interest rate risk
Accounts receivable	Credit risk
Accounts payable	Liquidity risk
Term loan	Liquidity risk

Credit risk and interest rate risk:

The exposure to credit risk arises from the possibility that counter parties may default on their financial obligations. The total cash of \$1,343,195 on March 31, 2018 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. 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.