

SHALEM MENTAL HEALTH NETWORK

FINANCIAL STATEMENTS DECEMBER 31, 2020

INDEX

	Page
Independent Auditor's Report	
Balance Sheet	1
Statement of Changes in Fund Balances	2
Statement of Revenues and Expenses	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 8

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Shalem Mental Health Network

Qualified Opinion

We have audited the financial statements of Shalem Mental Health Network, which comprise the balance sheet as at December 31, 2020, and the statement of revenues and expenses, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2020, and its financial performance 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 organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and fund balances as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

We 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 we identify during our audit.



DBK Accounting Professional Corporation
Authorized to practice public accounting by the Chartered
Professional Accountants of Ontario

Hamilton, Ontario
May 11, 2021

SHALEM MENTAL HEALTH NETWORK

BALANCE SHEET AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 159,380	\$ 22,245
Accounts receivable	126,393	72,129
Government remittances receivable	16,564	13,439
Prepaid expenses	26,862	14,831
	329,199	122,644
 CAPITAL ASSETS (Note 5)	 40,281	 42,616
DUE FROM COUNSELLING ASSISTANCE FUND	42,043	45,486
	\$ 411,523	\$ 210,746
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 117,979	\$ 115,418
 DUE TO GENERAL FUND	 42,043	 45,486
LOAN PAYABLE (Note 6)	30,000	-
DEFERRED REVENUE	106,202	84,490
	296,224	245,394
FUND BALANCES		
General Fund	73,256	(80,134)
Counselling Assistance Fund	42,043	45,486
	115,299	(34,648)
	\$ 411,523	\$ 210,746

Approved on behalf of the board

Director _____

Director _____

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund 2020	Counselling Assistance Fund 2020	Total 2020	Total 2019
BALANCE, BEGINNING OF YEAR	\$ (80,133)	\$ 45,486	\$ (34,647)	\$ 9,721
Excess (deficiency) of revenues over expenses	149,946	-	149,946	(44,368)
Interfund transfers (Note 3)	3,443	(3,443)	-	-
BALANCE, ENDING OF YEAR	\$ 73,256	\$ 42,043	\$ 115,299	\$ (34,647)

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Head Office 2020	Clinic 2020	Programs 2020	Total 2020	Total 2019
REVENUE					
Donations	\$ -	\$ 27,996	\$ 9,332	\$ 37,328	\$ 41,339
Grants from other charities (Note 4)	179,250	69,000	59,007	307,257	471,532
Grants - Federal	41,761	233,962	86,191	361,914	16,461
Counselling services	-	393,099	-	393,099	380,585
Program income	-	-	486,407	486,407	508,579
Seminar and consulting fees	-	3,500	-	3,500	18,259
Other	13,746	-	-	13,746	13,504
	<u>234,757</u>	<u>727,557</u>	<u>640,937</u>	<u>1,603,251</u>	<u>1,450,259</u>
EXPENSES					
Advertising and promotion	481	-	-	481	500
Amortization	2,335	-	-	2,335	2,272
Bad debts	-	10,358	-	10,358	6,043
Bank charges and interest	11,777	-	-	11,777	13,252
Business taxes	33,262	-	-	33,262	4,665
Contract services	-	10,370	310,778	321,148	358,775
Equipment lease	4,895	592	-	5,487	1,858
Insurance	10,694	-	-	10,694	9,876
Office, postage and general	29,124	14,566	-	43,690	33,594
Leadership development	120	-	-	120	3,603
Professional dues	-	2,178	-	2,178	2,453
Professional fees	7,447	-	-	7,447	8,516
Rent	11,709	15,456	19,671	46,836	46,117
Rent and custom work	-	-	47,356	47,356	42,571
Seminar expenses	-	2,462	-	2,462	14,207
Staff expenses	472	-	-	472	253
Subscriptions, permits and licenses	10	-	-	10	-
Telecommunications	1,782	594	601	2,977	3,412
Travel and meals	1,827	-	-	1,827	4,735
Wages and benefits	175,438	535,127	191,823	902,388	937,925
	<u>291,373</u>	<u>591,703</u>	<u>570,229</u>	<u>1,453,305</u>	<u>1,494,627</u>
Excess (deficiency) of revenues over expenses	<u>\$ (56,616)</u>	<u>\$ 135,854</u>	<u>\$ 70,708</u>	<u>\$ 149,946</u>	<u>\$ (44,368)</u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 149,946	\$ (44,368)
Adjustments for		
Amortization	2,335	2,272
	152,281	(42,096)
Change in non-cash working capital items		
Accounts receivable	(54,264)	(33,718)
Prepaid expenses	(12,031)	(6,112)
Accounts payable and accrued liabilities	2,562	10,950
Government remittances	(3,125)	1,000
Due from general fund	3,443	2,203
Due to restricted fund	(3,443)	(2,203)
	85,423	(69,976)
INVESTING ACTIVITIES		
Purchase of capital assets	-	(2,506)
	85,423	(72,482)
FINANCING ACTIVITIES		
Loan payable	30,000	-
Deferred revenue	21,712	18,681
	51,712	18,681
Increase (decrease) in cash	137,135	(53,801)
Cash, beginning of year	22,245	76,046
Cash, end of year	\$ 159,380	\$ 22,245

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. CORPORATE ORGANIZATION AND OBJECTIVE

Shalem Mental Health Network (Shalem) is a provincial organization which supplies mental health services to individuals, communities and churches. Consultation is also provided on abuse, mental illness and conflict management. The organization was incorporated as a corporation without share capital by letters patent issued under the Ontario Corporations Act on August 19, 1963. It is a not-for-profit organization and a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions.

Unrestricted donations and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned.

Counselling services, program income, and seminar fees are recognized as revenue when the services have been performed.

Government assistance is recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured

(b) CAPITAL ASSETS

Capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Leasehold improvements	Straight-line	5%
------------------------	---------------	----

(c) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

(d) Volunteer Services

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, government remittances receivable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

3. RESTRICTED FUND BALANCES

Donations have been received, and designated for the Counselling Assistance Fund. The Counselling Assistance Fund assists clients to pay for counselling services. The excess of donations over assistance provided to date is shown as restricted funds and shown as an Interfund transfer.

4. SHALEM MENTAL HEALTH FOUNDATION

The organization has the ability to appoint two of the seven Shalem Foundation's board of directors and it has an economic interest in the Shalem Foundation (Foundation). The Foundation was established to raise funds for the use of Shalem and it is incorporated as a corporation without share capital by letters patent issued under the Ontario Corporations Act. The accounts of the Foundation have not been included in these financial statements.

Included in grants from other charities on the statement of revenues and expenses is the below income from the Foundation.

	2020	2019
Contributions	\$ 175,000	\$ 335,000
Foundation purchase of services	13,182	13,120
Total	\$ 188,182	\$ 348,120

The Foundation has made a commitment to grant \$150,000 to Shalem in 2021.

5. CAPITAL ASSETS

	2020 Cost	2020 Accumulated amortization	2020 Net	2019 Net
Leasehold improvements	\$ 46,668	\$ 6,387	\$ 40,281	\$ 42,616

6. LOAN PAYABLE

Federal loan - Canada Emergency Business Assistance (CEBA) bearing interest at 0% per annum, repayable in December 2022. \$10,000 to be forgiven if the debt is repaid before its due date.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

7. COMMITMENTS

Under the terms of a property lease agreement, the organization will be required to make future annual minimum rental payments of the following:

2021	\$	42,215
2022		43,059
2023		43,920
2024		44,799
2025		45,695

The landlord has established a donor advised fund, the "Fund" held by Christian Stewardship Services. The landlord plans to donate to the Fund the excess of all rents from the organization, and additional rents received from other tenants of the premises, that exceed the costs of maintenance, utilities, management, municipal taxes, initial purchase expenses and insurance of the premises. The landlord intends to use the Fund for the benefit of the organization. The intention of this Fund is to aid the purchase of the building through this Fund and funds raised by the organization. The organization and the Shalem Foundation will allocate a minimum of 10% of individual donations of \$100,000 or more that are not otherwise specifically designated, and the organization will make the fund-raising initiatives and the budget deliberations a priority.

Option to purchase is being provided to the organization and the building price will not exceed the current fair market value of the building that will be appraised at the time that the organization is ready to purchase the building.

The value of the Fund which is defined above as of December 31, 2020 had a surplus of \$1,855 (2019 - \$828).

The landlord also established a capital Fund from the rent payments to cover major capital and maintenance expenses that could arise. The balance of this fund as of December 31, 2020 was \$39,200 (2019 - \$25,250).

8. SUBSEQUENT EVENTS

Subsequent to year end, the COVID-19 pandemic continues to have a significant impact on the overall economy and many organizations.

As of the report date, the organization is conducting all their counselling services virtually, and only saw a slight drop in revenue as clients adjusted to the new service delivery method. They are anticipating an increase in demand for their counselling services in the coming months, and have had current and prospective clients contact them to establish a service contract.

A higher demand is expected to be placed on the organization's fellowship fund, which provides counselling services for those who can not afford it. The organization will be monitoring this program closely to ensure that the services provided can be supported by the related grants received by the organization.

9. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year revenues and expenses.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

10. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit Risk

The organization does have credit risk in accounts receivable. In the normal course of operations, the organization is exposed to credit risk from its clients. These accounts receivable are subject to normal credit risks but the risk is reduced by assistance from the Counselling Assistance Fund.

(b) Liquidity Risk

Liquidity risk is the risk the organization may not be able to meet its obligations. The organization has a comprehensive plan in place to meet their obligations as they come due which is primarily from cash flow from operations.