

SHALEM MENTAL HEALTH NETWORK

FINANCIAL STATEMENTS DECEMBER 31, 2022

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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 (the "organization"), which comprise the balance sheet as at December 31, 2022, and the statement of revenue 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, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities, 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 unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and December 31, 2021, current assets and net assets as at December 31, 2022 and December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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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 ASNPO, 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
Chartered Professional Accountants
Authorized to practice public accounting by the Chartered
Professional Accountants of Ontario

Hamilton, Ontario
April 3, 2023

SHALEM MENTAL HEALTH NETWORK

BALANCE SHEET AS AT DECEMBER 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 142,310	\$ 141,863
Accounts receivable	77,574	84,127
Government remittances	18,970	18,586
Prepaid expenses	11,067	54,347
	249,921	298,923
 CAPITAL ASSETS (Note 3)	 84,686	 39,768
DUE FROM COUNSELLING ASSISTANCE FUND	63,098	1,544
	\$ 397,705	\$ 340,235
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 151,522	\$ 131,042
 DUE TO GENERAL FUND	 63,098	 1,544
DEFERRED REVENUE (Note 4)	123,773	130,607
DEFERRED CONTRIBUTIONS (Note 5)	6,881	-
	193,752	132,151
	345,274	263,193
FUND BALANCES		
General Fund	(10,667)	75,498
Counselling Assistance Fund	63,098	1,544
	52,431	77,042
	\$ 397,705	\$ 340,235

Approved on behalf of the board

Director, _____

Director, _____

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u> 2022	<u>Counselling Assistance Fund</u> 2022	<u>December 31</u> 2022	<u>December 31</u> 2021
BALANCE, BEGINNING OF YEAR	\$ 75,498	\$ 1,544	\$ 77,042	\$ 115,298
Excess (deficiency) of revenues over expenses	(24,611)	-	(24,611)	(38,256)
Interfund transfers (Note 6)	<u>(61,554)</u>	<u>61,554</u>	<u>-</u>	<u>-</u>
BALANCE, ENDING OF YEAR	<u>\$ (10,667)</u>	<u>\$ 63,098</u>	<u>\$ 52,431</u>	<u>\$ 77,042</u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	Head Office 2022	Clinic 2022	Programs 2022	December 31 2022	December 31 2021
REVENUE					
Program income	\$ -	\$ -	\$ 756,363	\$ 756,363	\$ 715,716
Counselling services	-	502,460	-	502,460	462,712
Grants from other charities	120,000	98,253	64,349	282,602	200,954
Donations	-	145,504	47,834	193,338	38,482
Seminar and consulting fees	-	81,784	-	81,784	21,625
Grants - Federal	24,962	-	13,996	38,958	192,619
Other	13,607	-	-	13,607	13,568
Amortization of deferred contributions	-	3,436	-	3,436	-
	<u>158,569</u>	<u>831,437</u>	<u>882,542</u>	<u>1,872,548</u>	<u>1,645,676</u>
EXPENSES					
Advertising and promotion	13,792	-	-	13,792	16,906
Amortization	11,272	-	-	11,272	3,246
Bad debts	-	17,944	-	17,944	9,494
Bank charges and interest	7,199	-	-	7,199	8,447
Business taxes	37,215	-	-	37,215	15,471
Contract services	-	-	427,737	427,737	391,655
Equipment lease	-	2,813	-	2,813	10,632
Insurance	13,882	-	-	13,882	12,055
Office, postage and general	14,361	31,970	39,277	85,608	73,275
Professional dues	10,671	5,755	-	16,426	14,618
Professional fees	9,621	-	-	9,621	11,335
Rent	12,318	16,260	31,051	59,629	50,084
Rent and custom work	-	-	49,000	49,000	47,138
Seminar expenses	-	87,619	-	87,619	13,341
Staff expenses	4,014	-	-	4,014	3,133
Telecommunications	1,606	535	1,402	3,543	2,753
Travel and meals	527	-	-	527	146
Wages and benefits	178,212	612,515	258,591	1,049,318	1,000,203
	<u>314,690</u>	<u>775,411</u>	<u>807,058</u>	<u>1,897,159</u>	<u>1,683,932</u>
Excess (deficiency) of revenues over expenses	<u>\$ (156,121)</u>	<u>\$ 56,026</u>	<u>\$ 75,484</u>	<u>\$ (24,611)</u>	<u>\$ (38,256)</u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (24,611)	\$ (38,256)
Adjustments for		
Amortization of capital assets	11,272	3,246
Amortization of deferred capital contributions	<u>(3,436)</u>	<u>-</u>
	<u>(16,775)</u>	<u>(35,010)</u>
Change in non-cash working capital items		
Accounts receivable	6,553	42,265
Prepaid expenses	43,280	(27,486)
Accounts payable and accrued liabilities	20,481	13,063
Government remittances	(385)	(2,020)
Due from general fund	61,554	(40,499)
Due to restricted fund	<u>(61,554)</u>	<u>40,499</u>
	<u>53,154</u>	<u>(9,188)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(56,190)	(2,733)
FINANCING ACTIVITIES		
Repayment of loan	-	(30,000)
Deferred revenue	(6,834)	24,405
Increase in deferred capital contributions	<u>10,317</u>	<u>-</u>
	<u>3,483</u>	<u>(5,595)</u>
Increase (decrease) in cash	447	(17,516)
Cash, beginning of year	<u>141,863</u>	<u>159,379</u>
Cash, end of year	<u>\$ 142,310</u>	<u>\$ 141,863</u>

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

1. CORPORATE ORGANIZATION AND OBJECTIVE

Shalem Mental Health Network (the "organization") (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.

Externally restricted contributions for the purchase of capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(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 years
Computer equipment	Straight-line	3 years
Computer software	Straight-line	10 years

(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, 2022

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. CAPITAL ASSETS

	2022 Cost	2022 Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Leasehold improvements	\$ 46,668	\$ 11,057	\$ 35,611	\$ 37,946
Computer equipment	13,050	5,261	7,789	1,822
Computer software	45,873	4,587	41,286	-
	\$ 105,591	\$ 20,905	\$ 84,686	\$ 39,768

4. DEFERRED REVENUE

	2022	2021
CAP	\$ 21,035	\$ 2,510
WRAP	-	24,071
ReCreate (WV)	13,740	22,732
Hamilton Community Foundation	62,000	35,000
Deferred Revenue - other	12,318	21,123
DDP	4,680	5,568
Recreate	10,000	19,603
	\$ 123,773	\$ 130,607

5. DEFERRED CAPITAL CONTRIBUTIONS

The organization received a grant which was used to purchase capital assets. This grants are being recognized as revenue at an annual rate of 33.3% using the straight line method.

The changes in the deferred capital contributions balance are as follows:

	December 31 2022
Capital grant	\$ 10,317
Less: amounts amortized to revenue	(3,436)
	\$ 6,881

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

6. 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.

7. 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 (the "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.

	<u>2022</u>	<u>2021</u>
Foundation Contributions	\$ 120,000	\$ -
Foundation Purchase of Services	<u>13,313</u>	<u>13,248</u>
Total	<u>\$ 133,313</u>	<u>\$ 13,248</u>

The Foundation has made a commitment to grant \$170,000 to Shalem in 2023. \$90,000 of this amount will be designated to cover the salary of a development director position.

8. COMMITMENTS

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

2023	\$ 49,630
2024	50,623
2025	51,635
2026	52,668
2027	<u>53,721</u>
	<u>\$ 258,277</u>

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 earnings.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

10. SUBSEQUENT EVENTS

Subsequent to the year end, the organization received a grant of \$35,000 designated for the Counselling Assistance Fund. This grant will be spent during 2023.

Subsequent to the year end, the organization signed a new lease for the rental of their current premises. The future rental commitment has been disclosed in the Note 8. The new lease does not include the option to purchase the property.

11. 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 company 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.