

SHALEM MENTAL HEALTH NETWORK

FINANCIAL STATEMENTS DECEMBER 31, 2023

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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, 2023, 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, 2023, 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, 2023 and December 31, 2022, current assets and net assets as at December 31, 2023 and December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2022 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 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 8, 2024

SHALEM MENTAL HEALTH NETWORK

BALANCE SHEET AS AT DECEMBER 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 100,644	\$ 142,310
Accounts receivable	99,054	77,574
Government remittances	40,170	18,970
Prepaid expenses	15,901	11,067
	255,769	249,921
CAPITAL ASSETS (Note 3)	73,414	84,686
DUE FROM COUNSELLING ASSISTANCE FUND	23,144	63,098
	\$ 352,327	\$ 397,705
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 110,627	\$ 151,522
Deferred revenue (Note 4)	145,994	123,773
	256,621	275,295
DUE TO GENERAL FUND	23,144	63,098
DEFERRED CONTRIBUTIONS (Note 5)	3,442	6,881
	26,586	69,979
	283,207	345,274
FUND BALANCES		
General Fund	45,976	(10,667)
Counselling Assistance Fund	23,144	63,098
	69,120	52,431
	\$ 352,327	\$ 397,705

Approved on behalf of the board

Director, _____

Director, _____

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u> <u>2023</u>	<u>Counselling</u> <u>Assistance Fund</u> <u>2023</u>	<u>December 31</u> <u>2023</u>	<u>December 31</u> <u>2022</u>
BALANCE, BEGINNING OF YEAR	\$ (10,667)	\$ 63,098	\$ 52,431	\$ 77,042
Excess (deficiency) of revenues over expenses	16,689	-	16,689	(24,611)
Interfund transfers (Note 6)	<u>39,954</u>	<u>(39,954)</u>	<u>-</u>	<u>-</u>
BALANCE, ENDING OF YEAR	<u>\$ 45,976</u>	<u>\$ 23,144</u>	<u>\$ 69,120</u>	<u>\$ 52,431</u>

SHALEM MENTAL HEALTH NETWORK
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Head Office 2023	Clinic 2023	Programs 2023	December 31 2023	December 31 2022
REVENUE					
Program income	-	-	743,897	\$ 743,897	\$ 756,363
Grants from other charities	218,632	195,962	91,649	506,243	282,602
Counselling services	-	485,853	-	485,853	502,460
Donations	-	43,626	25,688	69,314	193,338
Grants - Federal	4,926	-	4,926	9,852	38,958
Other	5,006	-	-	5,006	13,607
Amortization of deferred contributions	-	3,439	-	3,439	3,436
Seminar and consulting fees	-	1,202	-	1,202	81,784
	<u>228,564</u>	<u>730,082</u>	<u>866,160</u>	<u>1,824,806</u>	<u>1,872,548</u>
EXPENSES					
Advertising and promotion	18,342	-	-	18,342	13,792
Amortization	11,272	-	-	11,272	11,272
Bad debts	-	11,442	-	11,442	17,944
Bank charges and interest	7,551	-	-	7,551	7,199
Business taxes	36,318	-	-	36,318	37,215
Contract services	-	-	439,259	439,259	427,737
Equipment lease	-	-	-	-	2,813
Insurance	16,238	-	-	16,238	13,882
Office, postage and general	12,523	27,520	34,788	74,831	85,608
Professional dues	10,604	4,353	-	14,957	16,425
Professional fees	12,971	-	-	12,971	9,621
Rent	12,469	16,459	20,948	49,876	59,629
Rent and custom work	-	-	55,165	55,165	49,000
Seminar expenses	-	1,343	-	1,343	87,619
Staff expenses	11,471	-	-	11,471	4,014
Telecommunications	1,257	419	419	2,095	3,544
Travel and meals	150	-	-	150	527
Wages and benefits	260,477	546,689	237,670	1,044,836	1,049,318
	<u>411,643</u>	<u>608,225</u>	<u>788,249</u>	<u>1,808,117</u>	<u>1,897,159</u>
Excess (deficiency) of revenues over expenses	<u>\$ (183,079)</u>	<u>\$ 121,857</u>	<u>\$ 77,911</u>	<u>\$ 16,689</u>	<u>\$ (24,611)</u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 16,689	\$ (24,611)
Adjustments for		
Amortization of capital assets	11,272	11,272
Amortization of deferred capital contributions	<u>(3,439)</u>	<u>(3,436)</u>
	<u>24,522</u>	<u>(16,775)</u>
Change in non-cash working capital items		
Accounts receivable	(21,480)	6,553
Prepaid expenses	(4,834)	43,280
Accounts payable and accrued liabilities	(40,892)	20,481
Government remittances	(21,200)	(385)
Due from general fund	(39,954)	61,554
Due to restricted fund	39,954	(61,554)
Deferred revenue	<u>22,221</u>	<u>(6,834)</u>
	<u>(41,663)</u>	<u>46,320</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(56,190)
FINANCING ACTIVITIES		
Increase (decrease) in deferred capital contributions	(3)	10,317
Increase (decrease) in cash	(41,666)	447
Cash, beginning of year	142,310	141,863
Cash, end of year	<u>\$ 100,644</u>	<u>\$ 142,310</u>

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

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, 2023

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

	2023 Cost	2023 Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Leasehold improvements	\$ 46,668	\$ 13,392	\$ 33,276	\$ 35,611
Computer equipment	13,050	9,611	3,439	7,789
Computer software	45,873	9,174	36,699	41,286
	<u>\$ 105,591</u>	<u>\$ 32,177</u>	<u>\$ 73,414</u>	<u>\$ 84,686</u>

4. DEFERRED REVENUE

	2023	2022
CAP	\$ 10,924	\$ 21,035
ReCreate (WV)	57,764	13,740
Hamilton Community Foundation	60,000	62,000
Deferred Revenue - other	3,163	12,318
DDP	4,680	4,680
Supervision	700	-
Recreate	8,763	10,000
	<u>\$ 145,994</u>	<u>\$ 123,773</u>

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:

	2023	2022
Balance, beginning of year	\$ 6,881	\$ -
Capital grant	-	10,317
Less: amounts amortized to revenue	(3,439)	(3,436)
	<u>\$ 3,442</u>	<u>\$ 6,881</u>

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

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>2023</u>	<u>2022</u>
Foundation Contributions	\$ 185,800	\$ 120,000
Foundation Purchase of Services	<u>3,333</u>	<u>13,313</u>
Total	<u>\$ 189,133</u>	<u>\$ 133,313</u>

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:

2024	\$ 50,623
2025	51,635
2026	52,668
2027	53,721
2028	<u>54,796</u>
	<u>\$ 263,443</u>

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

9. SUBSEQUENT EVENTS

Subsequent to the year end, Shalem Mental Health Network was amalgamated under the Income Tax Act with Shalem Mental Health Foundation under common control on January 01, 2024. The amalgamated company is operating as Shalem Mental Health Network. The Shalem Mental Health Foundation will be transferring \$1,308,723 of assets and \$8,348 of liabilities.

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 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.