

SHALEM MENTAL HEALTH NETWORK

FINANCIAL STATEMENTS DECEMBER 31, 2024

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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, 2024, 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, 2024, 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, 2024 and December 31, 2023, current assets and net assets as at December 31, 2024 and December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2023 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 14, 2025

SHALEM MENTAL HEALTH NETWORK

BALANCE SHEET AS AT DECEMBER 31, 2024

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 141,270	\$ 207,000
Accounts receivable	69,762	99,054
Government remittances	28,217	41,411
Prepaid expenses	15,973	16,876
	<u>255,222</u>	<u>364,341</u>
 INVESTMENTS (Note 4)	 1,223,427	 1,200,152
CAPITAL ASSETS (Note 5)	63,052	73,414
DUE FROM GENERAL FUND	9,544	-
DUE FROM COUNSELLING ASSISTANCE FUND	-	23,144
	<u>\$ 1,551,245</u>	<u>\$ 1,661,051</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 90,664	\$ 118,977
Deferred revenue (Note 6)	190,724	145,994
	<u>281,388</u>	<u>264,971</u>
 DUE TO GENERAL FUND	 -	 23,144
DEFERRED CONTRIBUTIONS (Note 7)	-	3,442
DUE TO COUNSELLING ASSISTANCE FUND	9,544	-
	<u>9,544</u>	<u>26,586</u>
	<u>290,932</u>	<u>291,557</u>
FUND BALANCES		
General Fund	1,269,857	1,346,350
Counselling Assistance Fund	(9,544)	23,144
	<u>1,260,313</u>	<u>1,369,494</u>
	<u>\$ 1,551,245</u>	<u>\$ 1,661,051</u>

Approved on behalf of the board

Director, _____

Director, _____

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund 2024	Counselling Assistance Fund 2024	December 31 2024	December 31 2023
BALANCE, BEGINNING OF YEAR	\$ 1,346,350	\$ 23,144	\$ 1,369,494	\$ 1,421,122
Excess (deficiency) of revenues over expenses	(109,181)	-	(109,181)	(51,628)
Interfund transfers (Note 8)	<u>32,688</u>	<u>(32,688)</u>	<u>-</u>	<u>-</u>
BALANCE, ENDING OF YEAR	<u><u>\$ 1,269,857</u></u>	<u><u>\$ (9,544)</u></u>	<u><u>\$ 1,260,313</u></u>	<u><u>\$ 1,369,494</u></u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2024

	Head Office 2024	Clinic 2024	Programs 2024	December 31 2024	December 31 2023
REVENUE					
Program income	\$ -	\$ -	\$ 779,735	\$ 779,735	\$ 743,897
Grants from other charities	10,033	191,680	143,567	345,280	411,435
Counselling services	-	463,784	-	463,784	485,853
Donations	-	61,940	27,221	89,161	69,314
Grants - Federal	-	5,263	10,527	15,790	9,852
Other	1,378	-	13,816	15,194	5,006
Amortization of deferred contributions	-	3,442	-	3,442	3,439
Seminar and consulting fees	-	4,567	-	4,567	1,202
Investment income (loss)	52,775	-	-	52,775	58,159
	<u>64,186</u>	<u>730,676</u>	<u>974,866</u>	<u>1,769,728</u>	<u>1,788,157</u>
EXPENSES					
Advertising and promotion	19,186	-	-	19,186	19,928
Amortization	10,361	-	-	10,361	11,272
Bad debts	-	7,454	-	7,454	11,442
Bank charges and interest	12,179	-	-	12,179	16,540
Business taxes	13,232	-	-	13,232	36,318
Contract services	-	-	435,040	435,040	439,259
Equipment lease	-	2,800	-	2,800	-
Insurance	19,214	-	-	19,214	18,091
Office, postage and general	17,778	37,299	34,452	89,529	83,382
Professional dues	18,266	5,263	-	23,529	16,456
Professional fees	16,065	-	-	16,065	22,162
Rent	13,650	16,489	20,987	51,126	49,875
Rent and custom work	-	-	53,283	53,283	55,165
Seminar expenses	-	972	-	972	1,343
Staff expenses	7,355	-	-	7,355	11,471
Telecommunications	1,864	621	621	3,106	2,094
Travel and meals	-	-	-	-	150
Wages and benefits	273,465	572,886	268,127	1,114,478	1,044,837
	<u>422,615</u>	<u>643,784</u>	<u>812,510</u>	<u>1,878,909</u>	<u>1,839,785</u>
Excess (deficiency) of revenues over expenses	<u>\$ (358,429)</u>	<u>\$ 86,892</u>	<u>\$ 162,356</u>	<u>\$ (109,181)</u>	<u>\$ (51,628)</u>

SHALEM MENTAL HEALTH NETWORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (109,181)	\$ (51,628)
Adjustments for		
Amortization of capital assets	10,361	11,272
Amortization of deferred capital contributions	(3,442)	(3,439)
	<u>(102,262)</u>	<u>(43,795)</u>
Change in non-cash working capital items		
Accounts receivable	29,293	(21,480)
Prepaid expenses	903	(3,959)
Accounts payable and accrued liabilities	(28,314)	(47,027)
Government remittances	13,194	(22,778)
Due from general fund	(32,688)	(39,954)
Due to restricted fund	32,688	39,954
Deferred revenue	44,730	22,221
	<u>(42,456)</u>	<u>(116,818)</u>
INVESTING ACTIVITIES		
Investments	(23,274)	50,829
FINANCING ACTIVITIES		
Increase (decrease) in deferred capital contributions	-	(3)
Increase (decrease) in cash	<u>(65,730)</u>	<u>(65,992)</u>
Cash, beginning of year	207,000	272,992
Cash, end of year	<u>\$ 141,270</u>	<u>\$ 207,000</u>

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024

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. On January 1, 2024 Shalem Mental Health Foundation amalgamated with Shalem.

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 restricted fund 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) Investments

The revocable deposit agreement is stated at cost which includes the initial capital investment and accumulated interest and other investment income, net of administration fees.

(d) Fund accounting

The Counselling Assistance Fund is internally restricted and was established to subsidize the fees paid by eligible clients per sessions.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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.

(f) 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.

(g) 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.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024

3. AMALGAMATION

On January 1, 2024, Shalem Mental Health Network was amalgamated under the Income Tax Act with Shalem Mental Health Foundation, an organization under common control. The amalgamated organization is operating as Shalem Mental Health Network.

The amalgamation transaction between related parties has been recorded at carrying values as reported on each organization's respective financial statements as at January 1, 2024. As such, there has been no goodwill recorded on the amalgamation transaction.

Details of the amalgamation on January 1, 2024 are as follows:

	Shalem Mental Health Foundation	Shalem Mental Health Network	December 31
Assets			
Current assets	\$ 108,571	\$ 255,769	\$ 364,340
Capital assets	-	73,414	73,414
Investments	1,200,152	-	1,200,152
Due from counselling assistance fund	-	23,144	23,144
	<u>1,200,152</u>	<u>96,558</u>	<u>1,296,710</u>
Liabilities			
Current Liabilities	8,348	110,627	118,975
Deferred revenue	-	145,994	145,994
Due to general fund	-	23,144	23,144
Deferred contributions	-	3,442	3,442
	<u>8,348</u>	<u>283,207</u>	<u>291,555</u>
	<u>1,317,071</u>	<u>635,534</u>	<u>1,952,605</u>
 Fund Balances	 1,300,375	 69,120	 1,369,495
Total Liabilities and Fund Balances	<u>\$ 1,308,723</u>	<u>\$ 704,654</u>	<u>\$ 2,013,377</u>

4. INVESTMENTS

The Foundation has entered into a revocable deposit agreement (RDA) with Christian Stewardship Services (CSS) of 2024 - \$1,223,427 (2023 - \$1,200,152). The RDA does not earn a fixed rate of return but rather, the organization participates in the earnings of the pooled restricted portfolio of CSS.

Under the terms of the RDA, CSS agrees to repay the deposit amount, upon written notice of withdrawal, as follows:

- \$100,000 or less, within 60 days
- \$100,000 to \$500,000, within 90 days
- \$500,000 to \$1,000,000, within 180 days

The amounts on deposit is subject to an administration fee of .75% of the capital on deposit, paid monthly.

The investment income earned for the year was \$52,775 (2023 - \$58,159).

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024

5. CAPITAL ASSETS

	2024 Cost	2024 Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Leasehold improvements	\$ 46,668	\$ 15,727	\$ 30,941	\$ 33,276
Computer equipment	13,050	13,050	-	3,439
Computer software	45,873	13,762	32,111	36,699
	<u>\$ 105,591</u>	<u>\$ 42,539</u>	<u>\$ 63,052</u>	<u>\$ 73,414</u>

6. DEFERRED REVENUE

	2024	2023
CAP	\$ 8,532	\$ 10,924
ReCreate (WV)	51,403	57,764
Hamilton Community Foundation	56,700	60,000
Deferred Revenue - other	44,418	3,163
DDP	4,140	4,680
Supervision	16,768	700
Recreate	8,763	8,763
	<u>\$ 190,724</u>	<u>\$ 145,994</u>

7. 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:

	2024	2023
Balance, beginning of year	\$ 3,442	\$ 6,881
Less: amounts amortized to revenue	(3,442)	(3,439)
	<u>\$ -</u>	<u>\$ 3,442</u>

8. 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.

SHALEM MENTAL HEALTH NETWORK

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024

9. COMMITMENTS

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

2025	\$	51,635
2026		52,668
2027		53,721
2028		<u>54,796</u>
	\$	<u>212,820</u>

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.