

# SHALEM MENTAL HEALTH NETWORK

## FINANCIAL STATEMENTS DECEMBER 31, 2025

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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, 2025, 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, 2025, 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, 2025 and December 31, 2024, current assets and net assets as at December 31, 2025 and December 31, 2024. Our audit opinion on the financial statements for the year ended December 31, 2024 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 13, 2026

# SHALEM MENTAL HEALTH NETWORK

## BALANCE SHEET AS AT DECEMBER 31, 2025

|   | 2025          | 2024          |
|---|---------------|---------------|
| <b>ASSETS</b>                                   |               |               |
| <b>CURRENT ASSETS</b>                           |               |               |
| Cash  | \$ 220,563    | \$ 141,270    |
| Accounts receivable                             | 48,728        | 69,762        |
| Government remittances                          | 21,109        | 28,217        |
| Current portion of investments                  | 81,000        | -             |
| Prepaid expenses                                | 14,716        | 15,973        |
|   | 386,116       | 255,222       |
| <br>INVESTMENTS (Note 3)                        | <br>1,003,867 | <br>1,223,427 |
| CAPITAL ASSETS (Note 4)                         | 56,130        | 63,052        |
| DUE FROM GENERAL FUND (Note 5)                  | 25,991        | 9,544         |
|   | \$ 1,472,104  | \$ 1,551,245  |
| <b>LIABILITIES</b>                              |               |               |
| <b>CURRENT LIABILITIES</b>                      |               |               |
| Accounts payable and accrued liabilities        | \$ 96,777     | \$ 90,664     |
| Deferred revenue (Note 6)                       | 228,022       | 190,724       |
|   | 324,799       | 281,388       |
| <br>DUE TO COUNSELLING ASSISTANCE FUND (Note 5) | <br>25,991    | <br>9,544     |
|   | 350,790       | 290,932       |
| <b>FUND BALANCES</b>                            |               |               |
| General Fund                                    | 1,147,305     | 1,269,857     |
| Counselling Assistance Fund                     | (25,991)      | (9,544)       |
|   | 1,121,314     | 1,260,313     |
|   | \$ 1,472,104  | \$ 1,551,245  |

Approved on behalf of the board

Director, 

Director, 

## SHALEM MENTAL HEALTH NETWORK

### STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2025

|   | General Fund<br>2025 | Counselling<br>Assistance Fund<br>2025 | December 31<br>2025 | December 31<br>2024 |
|---|----------------------|--|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR                    | \$ 1,269,857         | \$ (9,544)                             | \$ 1,260,313        | \$ 1,369,494        |
| Excess (deficiency) of revenues over expenses | (138,999)            | -                                      | (138,999)           | (109,181)           |
| Interfund transfers (Note 7)                  | 16,447               | (16,447)                               | -                   | -                   |
| BALANCE, ENDING OF YEAR                       | \$ 1,147,305         | \$ (25,991)                            | \$ 1,121,314        | \$ 1,260,313        |

## SHALEM MENTAL HEALTH NETWORK

### STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2025

|   | Head Office<br>2025 | Clinic<br>2025    | Programs<br>2025  | December 31<br>2025 | December 31<br>2024 |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|
| <b>REVENUE</b>                                |                     |                   |                   |                     |                     |
| Program income                                | \$ -                | \$ -              | \$ 803,677        | \$ 803,677          | \$ 779,735          |
| Counselling services                          | -                   | 562,437           | -                 | 562,437             | 463,784             |
| Grants from other charities                   | -                   | 221,783           | 184,317           | 406,100             | 345,280             |
| Seminar and consulting fees                   | -                   | 6,015             | 79,246            | 85,261              | 4,567               |
| Donations                                     | -                   | 42,408            | 13,106            | 55,514              | 89,161              |
| Investment income (loss)                      | 38,425              | -                 | -                 | 38,425              | 52,775              |
| Other   | 2,556               | -                 | 15,724            | 18,280              | 15,194              |
| Grants - Federal                              | -                   | 5,563             | 5,563             | 11,126              | 15,790              |
| Amortization of deferred contributions        | -                   | -                 | -                 | -                   | 3,442               |
|   | <u>40,981</u>       | <u>838,206</u>    | <u>1,101,633</u>  | <u>1,980,820</u>    | <u>1,769,728</u>    |
| <b>EXPENSES</b>                               |                     |                   |                   |                     |                     |
| Advertising and promotion                     | 19,673              | 473               | -                 | 20,146              | 19,186              |
| Amortization                                  | -                   | 4,629             | 2,294             | 6,923               | 10,361              |
| Bad debts                                     | -                   | 10,135            | -                 | 10,135              | 7,454               |
| Bank charges and interest                     | 781                 | 5,077             | 1,951             | 7,809               | 12,178              |
| Business taxes                                | 10,572              | -                 | -                 | 10,572              | 13,232              |
| Contract services                             | -                   | -                 | 430,033           | 430,033             | 435,040             |
| Equipment lease                               | -                   | -                 | -                 | -                   | 2,800               |
| Insurance                                     | 6,316               | 7,134             | 7,134             | 20,584              | 19,214              |
| Office, postage and general                   | 15,448              | 25,736            | 89,715            | 130,899             | 89,530              |
| Professional dues                             | 18,389              | 1,735             | -                 | 20,124              | 23,529              |
| Professional fees                             | 11,320              | -                 | -                 | 11,320              | 16,065              |
| Rent  | 5,501               | 41,416            | 5,177             | 52,094              | 51,126              |
| Seminar expenses                              | -                   | 9,669             | 108,758           | 118,427             | 972                 |
| Staff expenses                                | 5,098               | -                 | -                 | 5,098               | 7,355               |
| Telecommunications                            | 301                 | 1,955             | 1,524             | 3,780               | 3,106               |
| Wages and benefits                            | 361,513             | 616,036           | 294,325           | 1,271,874           | 1,167,761           |
|   | <u>454,912</u>      | <u>723,995</u>    | <u>940,911</u>    | <u>2,119,818</u>    | <u>1,878,909</u>    |
| Excess (deficiency) of revenues over expenses | <u>\$ (413,931)</u> | <u>\$ 114,211</u> | <u>\$ 160,722</u> | <u>\$ (138,998)</u> | <u>\$ (109,181)</u> |

# SHALEM MENTAL HEALTH NETWORK

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025

|  | 2025         | 2024         |
|--|--------------|--------------|
| <b>OPERATING ACTIVITIES</b>                    |              |              |
| Excess (deficiency) of revenues over expenses  | \$ (138,999) | \$ (109,181) |
| Adjustments for                                |              |              |
| Amortization of capital assets                 | 6,922        | 10,361       |
| Amortization of deferred capital contributions | -            | (3,442)      |
|  | (132,077)    | (102,262)    |
| <br>Change in non-cash working capital items   |              |              |
| Accounts receivable                            | 21,034       | 29,293       |
| Current portion of investments                 | (81,000)     | -            |
| Prepaid expenses                               | 1,257        | 903          |
| Accounts payable and accrued liabilities       | 6,114        | (28,314)     |
| Government remittances                         | 7,107        | 13,194       |
| Due from general fund                          | (16,447)     | (32,688)     |
| Due to restricted fund                         | 16,447       | 32,688       |
| Deferred revenue                               | 37,298       | 44,730       |
|  | (140,267)    | (42,456)     |
| <br><b>INVESTING ACTIVITIES</b>                |              |              |
| Investments                                    | 219,560      | (23,274)     |
| Increase (decrease) in cash                    | 79,293       | (65,730)     |
| Cash, beginning of year                        | 141,270      | 207,000      |
| Cash, end of year                              | \$ 220,563   | \$ 141,270   |

# SHALEM MENTAL HEALTH NETWORK

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

### 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 software      | Straight-line | 10 years |

#### (c) Investments

The Capstone Stewardship Extension Trust investment 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, 2025

### 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.

### 3. INVESTMENTS

The organization has entered into a trust with Capstone Stewardship Extension Trust of 2025 - \$1,165,867. The trust does not earn a fixed rate of return but rather, the organization participates in the earnings of the pooled restricted portfolio of the trust. In 2024, the organization was in a revocable deposit agreement (RDA) with Christian Stewardship Services (CSS) of 1,223,427.

The investment income earned for the year was \$38,425 (2024 - \$52,775).

A portion of this investment is intended to be sold within the next year by management (\$81,000), this portion is classified as a current asset.

### 4. CAPITAL ASSETS

|                        | 2025<br>Cost | 2025<br>Accumulated<br>Amortization | 2025<br>Net Book<br>Value | 2024<br>Net Book<br>Value |
|------------------------|--------------|-------------------------------------|---------------------------|---------------------------|
| Leasehold improvements | \$ 46,668    | \$ 18,062                           | \$ 28,606                 | \$ 30,941                 |
| Computer software      | 45,873       | 18,349                              | 27,524                    | 32,111                    |
|                        | \$ 105,591   | \$ 49,461                           | \$ 56,130                 | \$ 63,052                 |

# SHALEM MENTAL HEALTH NETWORK

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

### 5. INTERFUND LOAN

The balance owing between the General and Counselling Assistance Fund is non-interest bearing, unsecured, and has no terms of repayment.

### 6. DEFERRED REVENUE

|                               | <u>2025</u>       | <u>2024</u>       |
|-------------------------------|-------------------|-------------------|
| CAP                           | \$ 6,727          | \$ 8,532          |
| ReCreate (WV)                 | 59,587            | 51,403            |
| Hamilton Community Foundation | 35,000            | 56,700            |
| Deferred Revenue - other      | 100,195           | 44,418            |
| DDP                           | 3,465             | 4,140             |
| Supervision                   | 14,285            | 16,768            |
| Recreate                      | 8,763             | 8,763             |
|                               | <u>\$ 228,022</u> | <u>\$ 190,724</u> |

### 7. 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.

### 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:

|      |                   |
|------|-------------------|
| 2026 | \$ 52,668         |
| 2027 | 53,721            |
| 2028 | <u>54,796</u>     |
|      | <u>\$ 161,185</u> |

# SHALEM MENTAL HEALTH NETWORK

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2025

### 9. 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.

#### (c) INTEREST RATE RISK

The organization is exposed to interest rate risk. Interest rate risk is the risk that the organization has interest rate exposure on its investments held, which are prone to fluctuation based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the organization low and is not material.