

Financial Statements of

**SHALEM MENTAL
HEALTH FOUNDATION**

Year Ended December 31, 2018

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Andrew Weening

CHARTERED PROFESSIONAL ACCOUNTANT • CHARTERED ACCOUNTANT



INDEPENDENT AUDITOR'S REPORT

To the Members of **Shalem Mental Health Foundation**

Qualified Opinion

I have audited the accompanying financial statements of **Shalem Mental Health Foundation**, which comprise the statement of financial position as at **December 31, 2018**, and the statement of revenue, expenses, expenditures and fund surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of my report the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not-For-Profit Organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives a substantial portion of its income from the charitable donations of individuals and organizations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Foundation. Therefore, I was not able to determine whether, as at and for the year end December 31, 2018, any adjustments might be necessary to donation revenue and excess (shortfall) of revenues reported in the statements of revenue, expenses and expenditures, cash flows and changes in unrestricted fund balance and assets reported in the statement of financial position. This caused me to qualify my opinion on the financial statements as at and for the year end December 31, 2018.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.

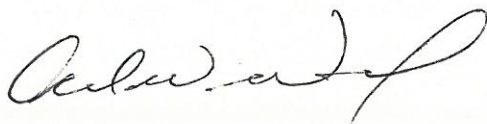
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

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 Foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.



**Chartered Professional Accountant
Chartered Accountant
Licensed Public Accountant**

Newmarket, Ontario
April 18, 2019

SHALEM MENTAL HEALTH FOUNDATION

Statement of Financial Position

December 31, 2018 with comparative figures for 2017

	2018	2017
ASSETS		
Current assets:		
Cash and equivalents	\$ 108,532	\$ 79,330
Accrued investment income	884	1,051
Prepaid expenses	590	715
Refundable taxes	<u>1,351</u>	<u>2,633</u>
	<u>111,357</u>	<u>83,729</u>
Investments, (Note 4)		
Fixed income	175,867	151,713
Preferred shares	137,480	364,823
Equities	120,515	139,546
Other	<u>1,168,822</u>	<u>1,122,978</u>
	<u>1,602,684</u>	<u>1,779,060</u>
	\$ 1,714,041	\$ 1,862,789
LIABILITIES AND FUND BALANCE		
Current liabilities:		
Accounts payable and accrued charges	\$ 9,695	\$ 9,900
Due to Shalem Mental Health Network	<u>440</u>	<u>-</u>
	10,135	9,900
Unrestricted fund balance	<u>1,703,906</u>	<u>1,852,889</u>
	\$ 1,714,041	\$ 1,862,789

APPROVED ON BEHALF OF THE BOARD:

_____, Director

_____, Director

The accompanying notes are an integral part of these financial statements.

SHALEM MENTAL HEALTH FOUNDATION

Statement of Revenue, Expenses, Expenditures and Fund Surplus
December 31, 2018 with comparative figures for 2017

	2018	2017
REVENUE		
Investment income	\$ 77,388	\$ 93,470
Donations	29,582	32,985
Realized gains (losses) on investment dispositions (Note 5)	<u>(14,729)</u>	<u>3,914</u>
	<u>92,241</u>	<u>130,369</u>
EXPENSES		
Development director	61,164	32,710
Advertising and promotion	4,880	16,015
Investment management fees and interest	12,358	14,288
Professional fees and consulting	3,892	4,077
Administrative services	10,000	10,000
Website	213	213
Insurance	662	1,253
Occupancy	3,000	3,000
Fundraising	1,905	2,905
Membership	2,403	2,700
Board expenses and travel	1,136	813
General office	<u>810</u>	<u>775</u>
	<u>102,423</u>	<u>88,749</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS	(10,182)	41,620
UNREALIZED GAINS (LOSSES) ON INVESTMENTS (Note 6)	(24,801)	36,512
GRANTS DISBURSED (Note 7)	<u>(114,000)</u>	<u>(407,336)</u>
(SHORTFALL) OF REVENUE OVER EXPENSES AND EXPENDITURES FOR THE YEAR	(148,983)	(329,204)
UNRESTRICTED FUND BALANCE		
beginning of the year	<u>1,852,889</u>	<u>2,182,093</u>
end of the year	\$ 1,703,906	\$ 1,852,889

The accompanying notes are an integral part of these financial statements.

SHALEM MENTAL HEALTH FOUNDATION

Statement of Cash Flows

December 31, 2018 with comparative figures for 2017

	2018	2017
OPERATING ACTIVITIES		
Operations:		
(Shortfall) of revenue over expenses and expenditures	\$ (148,983)	\$ (329,204)
Income items not involving funds:		
Realized (gains) losses on dispositions	14,729	(3,914)
Unrealized (gains) losses on investments	<u>24,801</u>	<u>(36,512)</u>
	(109,453)	(369,630)
Changes in non-cash working capital balances		
Accrued investment income	167	2,481
Prepaid expenses	125	(715)
Refundable taxes	1,282	(1,177)
Due to Shalem Mental Health Network	440	-
Accounts payable and accrued charges	<u>(205)</u>	<u>1,847</u>
	(107,644)	(367,194)
INVESTING ACTIVITIES		
Proceeds on the sale of investments	321,538	443,606
Purchase of investments	<u>(184,692)</u>	<u>(50,285)</u>
	136,846	393,321
INCREASE IN CASH AND EQUIVALENTS	29,202	26,127
CASH AND EQUIVALENTS, beginning of the year	<u>79,330</u>	<u>53,203</u>
CASH AND EQUIVALENTS, end of the year	<u>\$ 108,532</u>	<u>\$ 79,330</u>
CASH AND EQUIVALENTS consists of:		
Operating account	\$ 102,313	\$ 74,328
Brokerage account cash	5,690	4,478
BNS Investment Savings Account	<u>529</u>	<u>524</u>
	\$ 108,532	\$ 79,330

The accompanying notes are an integral part of these financial statements.

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2018 with comparative figures for 2017

1. ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant policies:

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from these estimates.

Revenue Recognition

Grant revenue and donation income is recorded when received.

Income from interest bearing investments is recorded when earned and collection is reasonably assured. Income from other investments is recorded when receivable. Unrealized gains and losses from long term investments are recognized as the market values of these investments change. Realized gains and losses are recognized when investments are sold and collection of sale proceeds is reasonably assured.

Investments

Long term investments subject to market price fluctuations are stated at fair value being the published market prices quoted in active markets. Guaranteed investment certificates are stated at cost, which, together with accrued interest income, approximates fair value. The revocable deposit agreement is stated at cost which includes the initial capital investment and accumulated interest net of administration fees.

2. NATURE OF ACTIVITIES

Shalem Mental Health Foundation was incorporated without share capital under the laws of the Province of Ontario on September 20, 2013. The Foundation was established to maintain a fund and to apply all or part of the principal and income of this fund to support Shalem Mental Health Network.

The Foundation is a registered charity under the Income Tax Act.

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2018 with comparative figures for 2017

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risks and Concentration

The Fund is exposed to various risks through its financial instruments. A significant portion of its resources are concentrated in marketable securities of various types.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund's main credit risk relates to its investment in bonds and other securities.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Fund does not have exposure to currency risk in that all financial instruments are denominated in Canadian funds. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk on its fixed-rate investments. Fixed-rate investments subject the Fund to a fair value risk as fair values fluctuate inversely to changes in market interest rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is exposed to other price risk through its investments in listed securities for which the value fluctuates with the quoted market price.

Fair Value

The carrying values of financial instruments approximate their fair values unless otherwise noted.

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2018 with comparative figures for 2017

4. INVESTMENTS

Investments, carried at market value, consist of the following:

	2018 Cost	2018 Market Value	2017 Cost	2017 Market Value
FIXED INCOME				
iShares Canadian Corporate Bond Index ETF, 1,500 units (2017 - 3,935)	\$ 31,939	\$ 30,945	\$ 83,787	\$ 83,383
iShares Canadian Universe Bond Index ETF, 1,155 units	35,582	35,112	35,582	35,793
Pender Corporate Bond Fund, Class F, 4,457 units	56,500	55,696	-	-
Purpose Management Duration Investment Grade Bond Fund, Series F, Series F, 6,129 units	55,500	54,114	-	-
TD Canadian Core Plus Bond Fund, Series F, (2017 - 2,760 units)	-	-	32,864	32,537
	<u>179,521</u>	<u>175,867</u>	<u>152,233</u>	<u>151,713</u>
PREFERRED				
Brookfield Asset Management Inc., 4.5% Cumulative Rate Reset Preferred Shares, Series 42 (2017 - 1,600 shares)	-	-	40,016	39,328
Enbridge Inc., 2,000, 4.4% Cumulative Redeemable Preferred Shares, Series 11 (2017 - 5,500)	49,920	33,300	137,280	115,775
Empire Life Insurance Co., 2,000, 5.75% non-cumulative Rate Reset Preferred Shares, Series 1	50,000	52,480	50,000	53,760
Royal Bank of Canada, 2,000, 5.5% non-cumulative Rate Reset Preferred Shares, Series BM	50,000	51,700	50,000	54,160
Partners Value Split Corp., Cumulative Class AA Preferred Shares, Series 6 (2017 - 4,000 units)	-	-	100,000	101,800
	<u>149,920</u>	<u>137,480</u>	<u>377,296</u>	<u>364,823</u>
EQUITIES				
Bank of Nova Scotia, 1,000 Common Shares (2017-1,050)	68,957	68,050	72,123	85,176
Brookfield Renewable Energy Partners LP, 900 units (2017 - 1,000)	28,530	31,815	31,700	43,810
iShares Canadian Select Dividend Index ETF, (2017 - 400 units)	-	-	10,164	10,560
H & R Real Estate Investment Trust, 1,000 units	19,169	20,650	-	-
	<u>116,656</u>	<u>120,515</u>	<u>113,987</u>	<u>139,546</u>
OTHER				
Christian Stewardship Services, revocable deposit agreement	1,168,822	1,168,822	1,122,978	1,122,978
	1,614,919	\$ 1,602,684	1,766,494	\$ 1,779,060
UNREALIZED GAINS (LOSSES)	<u>(12,235)</u>		<u>12,566</u>	
CARRYING VALUE	\$ 1,602,684		\$ 1,779,060	

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2018 with comparative figures for 2017

4. INVESTMENTS (Cont'd)

The revocable deposit agreement (RDA) does not earn a fixed rate of return, but rather, the organization participates in the earnings of the pooled restricted portfolio of Christian Stewardship Services (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 amount on deposit is subject to an administration fee of .75% of the capital on deposit, paid monthly.

5. REALIZED GAINS (LOSSES) ON DISPOSITIONS

The following is a summary of realized gains and (losses) for the year:

	2018	2017
Bank of Nova Scotia	\$ 1,049	\$ -
Brookfield Asset Management	(320)	(703)
Brookfield Renewable Energy Partners	821	5,455
Enbridge Inc.	(15,966)	(2,130)
iShares		
Canadian Select Dividend	(236)	(703)
Canadian Corporate Bond	(1,069)	782
Canadian Universe	-	732
TD Canadian Core Plus Bond Fund, Premium F Series	(714)	(36)
Partners Value Split Corp.	<u>1,706</u>	<u>517</u>
	\$ (14,729)	\$ 3,914

6. UNREALIZED GAINS (LOSSES)

Unrealized gains or losses for the year are determined as follows:

	2018	2017
Unrealized gains (losses)		
beginning of the year	\$ 12,566	\$ (23,947)
end of the year	<u>(12,235)</u>	<u>12,566</u>
	\$ (24,801)	\$ 36,513

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2018 with comparative figures for 2017

7. RELATED PARTY TRANSACTIONS

Related party transactions have been recorded in the accounts at the exchange amount which is the amount of consideration paid or received as established and agreed to by the related parties.

Shalem Mental Health Foundation (Foundation) was established by Shalem Mental Health Network (Network) for the purpose of raising funds for the Network. The Network has the ability to appoint two directors to the Board of the Foundation and the membership of the Foundation consists of the directors of the Network and the directors of the Foundation. The Network has an economic interest in the Foundation in that it exists for the exclusive benefit of the Network.

Grants Disbursed

During the year the Foundation provided grants to the Network as follows:

	2018	2017
Grants	\$ 114,000	\$ 445,000
Administrative services and other expenses paid by the Network on behalf of the Foundation	<u>-</u>	<u>37,664</u>
	\$ 114,000	\$ 407,336

Administrative and Other Services

Under the terms of an agreement entered into between the Foundation and the Network, the Network provided administrative services at a cost of \$10,000 (2017 - \$10,000) and office rental space at a cost of \$3,000 (2017 - \$3,000).

8. PLANNED FUNDING

In keeping with its purpose, the Foundation has budgeted to provide grant funding at a base level of approximately \$328,000 to Shalem Mental Health Network during 2019. Additional grant funding will be dependent upon gifts received and designated for the support of the Network.

9. CONTRACTUAL OBLIGATION

The Foundation has contracted for the services of a Development Director at a cost of \$5,000 per month until July 11, 2019.

