

Financial Statements of

**SHALEM MENTAL
HEALTH FOUNDATION**

Year Ended December 31, 2017

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Andrew Weening

CHARTERED PROFESSIONAL ACCOUNTANT * CHARTERED ACCOUNTANT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Shalem Mental Health Foundation**

I have audited the accompanying financial statements of **Shalem Mental Health Foundation**, which comprise the statement of financial position as at **December 31, 2017**, 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 and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.


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, 2017**, any adjustments might be necessary to donation revenue and excess 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, 2017**.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at **December 31, 2017**, and results of operation and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Newmarket, Ontario
May 26, 2018



Chartered Accountant
Chartered Professional Accountant
Licensed Public Accountant

SHALEM MENTAL HEALTH FOUNDATION

Statement of Financial Position

December 31, 2017 with comparative figures for 2016

	2017	2016
ASSETS		
Current assets:		
Cash and equivalents	\$ 79,330	\$ 53,203
Current maturities of investments (Note 4)	-	100,000
Accrued investment income	1,051	3,532
Prepaid expenses	715	-
Refundable taxes	<u>2,633</u>	<u>1,456</u>
	<u>83,729</u>	<u>158,191</u>
Investments, (Note 4)		
Fixed income, net of current maturities	151,713	255,935
Preferred shares	364,823	440,720
Equities	139,546	261,773
Other	<u>1,122,978</u>	<u>1,073,527</u>
	<u>1,779,060</u>	<u>2,031,955</u>
	\$ 1,862,789	\$ 2,190,146

LIABILITIES AND FUND BALANCE

Current liabilities:		
Accounts payable and accrued charges	\$ 9,900	\$ 8,053
Unrestricted fund balance	<u>1,852,889</u>	<u>2,182,093</u>
	\$ 1,862,789	\$ 2,190,146

PLANNED FUNDING (Note 8)

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 Equity
December 31, 2017 with comparative figures for 2016

	2017	2016
REVENUE		
Investment income	\$ 93,470	\$ 95,549
Donations	32,985	28,359
Realized gains (losses) on investment dispositions (Note 5)	<u>3,914</u>	<u>(11,971)</u>
	<u>130,369</u>	<u>111,937</u>
EXPENSES		
Development director	32,710	-
Advertising and promotion	16,015	-
Investment management fees	14,288	17,255
Administrative services	10,000	7,796
Professional fees and consulting	4,077	8,507
Occupancy	3,000	1,125
Fundraising	2,905	-
Membership	2,700	1,089
Insurance	1,253	1,253
Board expenses and travel	813	936
General office	775	234
Website	<u>213</u>	<u>4,029</u>
	<u>88,749</u>	<u>42,224</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS	41,620	69,713
UNREALIZED GAINS ON INVESTMENTS (Note 6)	36,512	75,764
GRANTS DISBURSED (Note 7)	<u>(407,336)</u>	<u>(439,728)</u>
SHORTFALL OF REVENUE OVER EXPENSES AND EXPENDITURES FOR THE YEAR	(329,204)	(294,251)
UNRESTRICTED FUND BALANCE		
beginning of the year	<u>2,182,093</u>	<u>2,476,344</u>
end of the year	\$ 1,852,889	\$ 2,182,093

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

SHALEM MENTAL HEALTH FOUNDATION

Statement of Cash Flows

December 31, 2017 with comparative figures for 2016

	2017	2016
OPERATING ACTIVITIES		
Operations:		
Shortfall of revenue over expenses and expenditures	\$ (329,204)	\$ (294,251)
Income items not involving funds:		
Realized (gains) losses on dispositions	(3,914)	11,971
Unrealized gains on investments	<u>(36,512)</u>	<u>(75,764)</u>
	(369,630)	(358,044)
Changes in non-cash working capital balances		
Accrued investment income	2,481	1,199
Prepaid expenses	(715)	-
Refundable taxes	(1,177)	2,408
Accounts payable and accrued charges	<u>1,847</u>	<u>(2,434)</u>
	(367,194)	(356,871)
INVESTING ACTIVITIES		
Proceeds on the sale of investments	443,606	539,260
Purchase of investments	<u>(50,285)</u>	<u>(262,510)</u>
	393,321	276,750
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	26,127	(80,121)
CASH AND EQUIVALENTS, beginning of the year	<u>53,203</u>	<u>133,324</u>
CASH AND EQUIVALENTS, end of the year	\$ <u>79,330</u>	\$ <u>53,203</u>
CASH AND EQUIVALENTS consists of:		
Operating account	\$ 74,328	\$ 46,510
Brokerage account cash	4,478	5,871
BNS Investment Savings Account	<u>524</u>	<u>822</u>
	\$ 79,330	\$ 53,203

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

SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2017 with comparative figures for 2016

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, 2017 with comparative figures for 2016

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, 2017 with comparative figures for 2016

4. INVESTMENTS

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

	2017 Cost	2017 Market Value	2016 Cost	2016 Market Value
FIXED INCOME				
Home Trust, 2.0% Annual Interest Guaranteed Investment Certificate, due June 2017	\$ -	\$ -	\$ 100,000	\$ 100,000
iShares Canadian Corporate Bond Index ETF, 3,935 units (2016 – 5,700 units)	83,787	83,383	121,369	121,182
iShares Canadian Universe Bond Index ETF, 1,155 units (2016 – 1,880 units)	35,582	35,793	57,919	58,506
TD Canadian Core Plus Bond Fund, Series F, 2,760 units (2016 – 6,429 units)	<u>32,864</u>	<u>32,537</u>	<u>76,566</u>	<u>76,247</u>
	<u>152,233</u>	<u>151,713</u>	<u>355,854</u>	<u>355,935</u>
PREFERRED				
Brookfield Asset Management Inc., 1,600, 4.5% Cumulative Rate Reset Preferred Shares, Series 42 (2016 - 3,200 shares)	40,016	39,328	80,032	71,680
Enbridge Inc., 5,500, 4.4% Cumulative Redeemable Preferred Shares, Series 11 (2016 - 6,000 shares)	137,280	115,775	149,760	113,100
Empire Life Insurance Co., 2,000 non-cumulative Preferred Shares, Series 1	50,000	53,760	50,000	52,500
Royal Bank of Canada, 2,000, 5.5% non-cumulative Preferred Shares, Series BM	50,000	54,160	50,000	54,340
Partners Value Split Corp., 4,000 Cumulative Class AA Preferred Shares, Series 6 (2016 - 6,000 shares)	<u>100,000</u>	<u>101,800</u>	<u>150,000</u>	<u>149,100</u>
	<u>377,296</u>	<u>364,823</u>	<u>479,792</u>	<u>440,720</u>
EQUITIES				
Bank of Nova Scotia, 1,050 Common Shares	72,123	85,176	72,123	78,498
Brookfield Renewable Energy Partners LP, 1,000 units (2016 - 1,500 units)	31,700	43,810	47,550	59,775
iShares Canadian Select Dividend Index ETF, 400 units (2016 - 5,000 units)	<u>10,164</u>	<u>10,560</u>	<u>127,056</u>	<u>123,500</u>
	<u>113,987</u>	<u>139,546</u>	<u>246,729</u>	<u>261,773</u>
OTHER				
Christian Stewardship Services, revocable deposit agreement	<u>1,122,978</u>	<u>1,122,978</u>	<u>1,073,527</u>	<u>1,073,527</u>
	1,766,494	<u>\$ 1,779,060</u>	2,155,902	<u>\$ 2,131,955</u>
UNREALIZED GAINS (LOSSES)	<u>12,566</u>		<u>(23,947)</u>	
	1,779,060		2,131,955	
MATURING WITHIN ONE YEAR	<u>-</u>		<u>100,000</u>	
CARRYING VALUE	\$ 1,779,060		\$ 2,031,955	



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SHALEM MENTAL HEALTH FOUNDATION

Notes to Financial Statements

December 31, 2017 with comparative figures for 2016

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:

	2017	2016
Barometer Disciplined Leadership High Income Fund	\$ -	\$ (8,839)
BCE New	-	4,902
Brookfield Asset Management	(703)	-
Brookfield Renewable Energy Partners	5,455	-
Enbridge Inc.	(2,130)	-
iShares		
Canadian Select Dividend	(703)	-
Canadian Corporate Bond	782	-
Canadian Hybrid	-	(11,138)
Canadian Universe	732	2,897
TD Canadian Core Plus Bond Fund, Premium F Series	(36)	207
Partners Value Split Corp.	517	-
	<u>\$ 3,914</u>	<u>\$ (11,971)</u>

6. UNREALIZED GAINS (LOSSES)

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

	2017	2016
Unrealized gains (losses)		
beginning of the year	\$ (23,947)	\$ (99,711)
end of the year	<u>12,566</u>	<u>(23,947)</u>
	<u>\$ 36,513</u>	<u>\$ 75,764</u>



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SHALEM MENTAL HEALTH FOUNDATION

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December 31, 2017 with comparative figures for 2016

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:

	2017	2016
Grants	\$ 445,000	\$ 450,000
Administrative services and other expenses paid by the Network on behalf of the Foundation	<u>37,664</u>	<u>10,272</u>
	\$ 407,336	\$ 439,728

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 (2016 - \$7,796) and office rental space at a cost of \$3,000 (2016 - \$1,125).

8. PLANNED FUNDING

In keeping with its purpose, the Foundation has budgeted to provide grant funding of approximately \$389,000 to Shalem Mental Health Network during 2018.