

SHALOM COUNSELLING SERVICES INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2022



INDEPENDENT AUDITOR'S REPORT

To the Directors of Shalom Counselling Services Inc.

Opinion

I have audited the financial statements of **Shalom Counselling Services Inc.**, which comprise the statement of financial position as at **September 30, 2022**, and the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Shalom Counselling Services Inc.** as at **September 30, 2022** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Opinion

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 entity 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 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 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 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.

E.M. Simon CPA

December 9, 2022

Waterloo, ON

E.M. Simon CPA Professional Corporation

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SHALOM COUNSELLING SERVICES INC.

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022

(with comparative figures as at September 30, 2021)

(the accompanying notes are an integral part of these financial statements)

	2022				2021			
	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>
ASSETS								
Current								
Cash	237,731	3,176	7,109	248,016	227,684	54,716	9,768	292,168
Investments (note 2)	165,154	220,000	83,112	468,266	163,126	167,111	86,864	417,101
Client fees and grants receivable	28,363	0	0	28,363	30,437	0	0	30,437
HST recoverable	2,797	0	947	3,744	3,501	0	293	3,794
Accrued interest receivable	173	2,578	861	3,612	1,404	944	1,593	3,941
Prepaid expenses	6,887	0	0	6,887	3,998	0	0	3,998
	441,105	225,754	92,029	758,888	430,150	222,771	98,518	751,439
Office equipment and leaseholds (note 3)	0	0	272,014	272,014	0	0	361,071	361,071
	\$441,105	\$225,754	\$364,043	\$1,030,902	\$430,150	\$222,771	\$459,589	\$1,112,510
LIABILITIES								
Current								
Accounts payable	16,962	0	0	16,962	17,268	0	0	17,268
Deferred income (note 4)	150,592	0	0	150,592	152,681	0	0	152,681
	167,554	0	0	167,554	169,949	0	0	169,949
NET ASSETS:								
Unrestricted	273,551	0	272,014	545,565	260,201	0	361,071	621,272
Internally restricted	0	225,754	0	225,754	0	222,771	0	222,771
Externally restricted	0	0	92,029	92,029	0	0	98,518	98,518
	273,551	225,754	364,043	863,348	260,201	222,771	459,589	942,561
	\$441,105	\$225,754	\$364,043	\$1,030,902	\$430,150	\$222,771	\$459,589	\$1,112,510

SHALOM COUNSELLING SERVICES INC.

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2022

(with comparative figures for the year ended September 30, 2021)

(the accompanying notes are an integral part of these financial statements)

	2022				2021			
	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>
REVENUES								
Donations	253,780	0	0	253,780	221,339	0	0	221,339
Client fees	313,140	0	0	313,140	297,341	0	0	297,341
Grants:								
Canada Emergency Wage Subsidy	2,460	0	0	2,460	136,795	0	0	136,795
United Way	13,000	0	0	13,000	24,250	0	0	24,250
Ministry of Children, Community and Social Services	6,782	0	0	6,782	6,782	0	0	6,782
Ministry of Health / Hallman	59,809	0	0	59,809	28,251	0	0	28,251
Regional Municipality of Waterloo	23,145	0	0	23,145	23,145	0	0	23,145
Ministry of Health / Lutherwood	92,449	0	0	92,449	86,032	0	0	86,032
Fundraising, interest and other income	50,345	2,983	1,020	54,348	30,404	1,241	2,634	34,279
Education programs	9,245	0	0	9,245	8,365	0	0	8,365
	<u>824,155</u>	<u>2,983</u>	<u>1,020</u>	<u>828,158</u>	<u>862,704</u>	<u>1,241</u>	<u>2,634</u>	<u>866,579</u>
EXPENSES								
Salaries and benefits	703,207	0	0	703,207	650,783	0	0	650,783
Counsellors' fees	2,145	0	0	2,145	3,428	0	0	3,428
Office and administration	37,811	0	1,838	39,649	44,793	0	3,370	48,163
Rent, utilities, maintenance	19,776	0	5,670	25,446	18,616	0	0	18,616
Insurance	17,088	0	0	17,088	14,910	0	0	14,910
Advertising, promotion and fundraising	4,978	0	0	4,978	3,285	0	0	3,285
Professional fees	15,379	0	0	15,379	3,783	0	0	3,783
Client data base, website redesign, green space	10,421	0	0	10,421	561	0	0	561
Amortization of equipment and leaseholds	0	0	89,058	89,058	0	0	90,268	90,268
	<u>810,805</u>	<u>0</u>	<u>96,566</u>	<u>907,371</u>	<u>740,159</u>	<u>0</u>	<u>93,638</u>	<u>833,797</u>
SURPLUS (DEFICIT) FOR THE YEAR	13,350	2,983	(95,546)	(79,213)	122,545	1,241	(91,004)	32,782
NET ASSETS - Opening	260,201	222,771	459,589	942,561	187,656	171,530	550,593	909,779
Inter-fund transfers								
Reserve enhancement	0	0	0	0	(50,000)	50,000	0	0
NET ASSETS - Closing	<u>\$273,551</u>	<u>\$225,754</u>	<u>\$364,043</u>	<u>\$863,348</u>	<u>\$260,201</u>	<u>\$222,771</u>	<u>\$459,589</u>	<u>\$942,561</u>

SHALOM COUNSELLING SERVICES INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

(with comparative figures for the year ended September 30, 2021)

(the accompanying notes are an integral part of these financial statements)

	<u>2022</u>				<u>2021</u>			
	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Working Operating Reserve Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Sources (uses) of funds:								
OPERATING ACTIVITIES								
Surplus (deficit) for the year	13,350	2,983	(95,546)	(79,213)	122,545	1,241	(91,004)	32,782
Items not requiring cash:								
Amortization of capital assets	0	0	89,058	89,058	0	0	90,268	90,268
Change in investments	(2,028)	(52,889)	3,752	(51,165)	(1,618)	(72,049)	3,787	(69,880)
Change in counselling fees receivable	2,074	0	0	2,074	2,326	0	0	2,326
Change in HST recoverable	704	0	(654)	50	1,184	0	(293)	891
Change in accrued interest receivable	1,231	(1,634)	731	328	(354)	929	(261)	314
Change in prepaid expenses	(2,889)	0	0	(2,889)	(410)	0	0	(410)
Change in accounts payable	(306)	0	0	(306)	3,905	0	0	3,905
Change in deferred client fees	(2,089)	0	0	(2,089)	10,172	0	0	10,172
	10,047	(51,540)	(2,659)	(44,152)	137,750	(69,879)	2,497	70,368
INVESTING ACTIVITIES	0	0	0	0	0	0	0	0
FINANCING ACTIVITIES								
Transfers from (to) other funds	0	0	0	0	(50,000)	50,000	0	0
CHANGE IN CASH	10,047	(51,540)	(2,659)	(44,152)	87,750	(19,879)	2,497	70,368
CASH - opening	227,684	54,716	9,768	292,168	139,934	74,595	7,271	221,800
CASH - closing	\$237,731	\$3,176	\$7,109	\$248,016	\$227,684	\$54,716	\$9,768	\$292,168

SHALOM COUNSELLING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Shalom Counselling Services Inc. (Shalom) is incorporated without share capital under the Ontario Business Corporations Act, is a charity registered with Canada Revenue Agency, and as such is exempt from Income Tax. Shalom provides individual, couple and family counselling in a professional, caring and confidential environment. Shalom also provides group counselling, training programs, in-services and presentations on topics pertaining to mental health and well-being.

1. ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Fund accounting

Shalom uses fund accounting to maintain its books and records. Fund accounting comprises the collective accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

The **General Fund** reflects the organization's program delivery, fundraising and administrative activities. This fund reports unrestricted resources and restricted operating grants and donations.

The **Working Operating Reserve Fund** was established by the Board to be a source of working capital for the general operating fund, and thereby accommodate fluctuations in day-to-day cash flows. The Board intends to allocate a portion of annual operating surpluses to the Working Operating Reserve Fund until a sufficient amount is accumulated to fund a reasonable portion of annual operating expenses.

The **Capital Fund** reflects the revenues externally restricted for capital purposes, expenses, assets and liabilities associated with the office equipment and leaseholds held by the organization.

Revenue recognition

Shalom uses the restricted fund method to recognize revenue, whereby restricted contributions are recognized as revenue in the appropriate restricted fund when such as fund exists, and reflected as restricted net assets on the statement of financial position until spent as designated. Restricted contributions related to general operations are reflected as deferred income in the General Fund on the statement of financial position, and only recognized as revenue when the funds are spent as designated. All revenues are only recognized as received or receivable when amounts can be reasonably estimated and collection is reasonably assured.

Cash

Cash includes bank accounts held at financial institutions.

Office equipment and leaseholds

Office equipment and leaseholds are reflected at cost, which is amortized at the following rates:

Office equipment	- 20% per annum on the declining balance
Leasehold improvements	- 10% per annum on a straight-line basis

SHALOM COUNSELLING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. ACCOUNTING POLICIES (continued)

Measurement uncertainty

The amortization of office equipment and leasehold improvements is based on management estimates as to their useful lives. These estimates, by their very nature, involve judgement and measurement uncertainty. Such amounts are not expected to change materially in the near term.

Financial Instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Shalom initially measures its financial assets and liabilities at fair value. Subsequently, all financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and changes in net assets. Any previously recognized impairment losses may be reversed and reflected in income to the extent of improvement, provided they are no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Shalom recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. FINANCIAL INSTRUMENTS AND RISK

	2022			2021	
	<u>Operating Fund</u>	<u>Working Capital Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Total</u>
Investments reflected at fair value:					
Abundance Canada:					
Canada Income Pool *	\$81,901	\$0	\$0	\$81,901	\$81,203
Investments reflected at amortized cost:					
Guaranteed investment certificates:					
rate maturity					
0.95% August 28, 2023	83,253	0	0	83,253	41,000
2.30% February 28, 2022	0	0	0	0	40,923
1.75% November 24, 2024	0	80,000	0	80,000	97,111
1.10% November 4, 2022	0	140,000	0	140,000	70,000
1.80% August 21, 2023	0	0	40,000	40,000	45,000
3.25% February 21, 2024	0	0	22,016	22,016	21,323
2.70% August 21, 2024	0	0	21,096	21,096	20,541
	83,253	220,000	83,112	386,365	335,898
Total investments	\$165,154	\$220,000	\$83,112	\$468,266	\$417,101
Financial assets reflected at amortized cost:					
Investments	83,253	220,000	83,112	386,365	335,898
Cash and accounts receivable	266,094	3,176	7,109	276,379	322,605
	\$349,347	\$223,176	\$90,221	\$662,744	\$658,503

There are no financial assets measured at amortized cost less a reduction for impairment.

* The Abundance Canada Income Pool consists of bonds and other fixed income investments (approximately 79%), plus church and institutional loans (approximately 21%).

As in the prior year, management believes Shalom does face some market risk with respect to its investments, in that fluctuations in investment markets could impact the fair value of the investments. As in the prior year, management believes Shalom does not face any significant credit, currency, interest rate or liquidity risks with respect to any of its remaining financial instruments.

SHALOM COUNSELLING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

3. OFFICE EQUIPMENT AND LEASEHOLDS

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office equipment	90,289	70,919	19,370	24,213
Leasehold improvements	842,146	589,502	252,644	336,858
	<u>\$932,435</u>	<u>\$660,421</u>	<u>\$272,014</u>	<u>\$361,071</u>

4. DEFERRED INCOME

	<u>Opening</u>	<u>Received</u>	<u>Recognized</u>	<u>Closing</u>
Client fees	1,050	0	0	1,050
Restricted donations and grants	151,631	20,745	22,834	149,542
	<u>\$152,681</u>	<u>\$20,745</u>	<u>\$22,834</u>	<u>\$150,592</u>

5. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Lease commitment:

Shalom is committed to a lease with respect to its premises which matures in August 2025. The lease requires an annual base rent of \$15,396, which includes a prorata share of common costs, paid in monthly instalments.

6. SIGNIFICANT EVENT

During and subsequent to the current fiscal year, the Covid-19 pandemic continued to impact most organizations world-wide, including Shalom. Its future impact on Shalom is uncertain. Management is actively monitoring local and global events and reacting to the best of their abilities, to maintain the organizations financial health and well being.