PINE RIVER INSTITUTE

FINANCIAL STATEMENTS

MARCH 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pine River Institute

Opinion

We have audited the financial statements of Pine River Institute (the Organization), which comprise the statement of financial position as at March 31, 2022, and the statement of operations, statement of changes in net assets 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 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 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.

Auditors' 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 auditors' 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.

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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 auditors' 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 auditors' 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.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 23, 2022

PINE RIVER INSTITUTE
STATEMENT OF FINANCIAL POSITION

At March 31	2022	2021
ASSETS		
Current		
Cash	**$ 955,931**	$ 443,937
Accounts receivable	**126,720**	159,764
Sales tax rebate recoverable	**97,401**	64,249
Prepaid expenses and sundry	**99,214**	41,806
	1,279,266	709,756
Capital assets *(Note 3)*	**705,380**	400,147
	$ 1,984,646	$ 1,109,903
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(Note 4)*	**$ 1,240,431**	$ 423,158
Government remittances payable	**135,008**	109,955
Student deposits and unearned revenue	**75,419**	43,004
	1,450,858	576,117
Bank loan *(Note 5)*	**30,000**	30,000
	1,480,858	606,117
Commitments and contingency *(Note 8)*		
NET ASSETS		
Net assets	**503,788**	503,786
	$ 1,984,646	$ 1,109,903

The accompanying notes are an integral part of the financial statements

On behalf of the Board

Director

Director

PINE RIVER INSTITUTE
STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31		2022		2021
Net assets, beginning of year	**$**	**503,786**	$	503,413
Excess of revenue over expenditures		**2**		373
Net assets, end of year	**$**	**503,788**	$	503,786

The accompanying notes are an integral part of the financial statements

PINE RIVER INSTITUTE
STATEMENT OF OPERATIONS

Year ended March 31	2022	2021
Revenue		
Government grants *(Note 4)*	**$ 6,439,380**	$ 4,501,920
Monthly service and private pay fees	**1,612,535**	1,187,160
Other grants and other income *(Note 4)*	**703,458**	401,499
Other contributions *(Note 5)*	**-**	10,000
	8,755,373	6,100,579
Expenditures		
Salaries and benefits	**5,024,534**	4,040,350
Donation to Pine River Foundation *(Note 6)*	**1,394,940**	387,000
Contract services	**445,193**	321,913
Maintenance	**328,635**	187,490
Wilderness Expedition Program (OLE)	**285,370**	235,639
Kitchen expenses	**281,157**	226,188
Rent	**193,991**	119,051
IT services and supplies	**132,263**	108,357
Utilities	**103,399**	74,200
Communications and development	**86,041**	46,518
Office and general	**56,209**	32,288
Research expenses	**52,508**	49,606
Insurance	**44,807**	37,710
Professional fees	**44,523**	37,598
Telephone	**41,674**	31,944
Staff training	**37,948**	12,574
Travel and automobile	**34,758**	27,408
Recruiting	**27,854**	6,617
Bank charges	**10,012**	7,059
Property taxes (recovery)	**898**	(5,011)
Amortization	**128,657**	115,707
	8,755,371	6,100,206
Excess of revenue over expenditures	**$ 2**	$ 373

The accompanying notes are an integral part of the financial statements

PINE RIVER INSTITUTE
STATEMENT OF CASH FLOWS

Year ended March 31		2022		2021
SOURCES (USES) OF CASH				
Operating activities				
Excess of revenue over expenditures	**$**	**2**	$	373
Items not involving cash				
Amortization		**128,657**		115,707
Other contributions		**-**		(10,000)
		128,659		106,080
Changes in non-cash working capital items				
Accounts receivable		**33,044**		(106,671)
Sales tax rebate recoverable		**(33,152)**		(19,193)
Prepaid expenses and sundry		**(57,408)**		(5,154)
Accounts payable and accrued liabilities		**817,273**		94,600
Government remittances payable		**25,053**		38,801
Student deposits and unearned revenue		**32,415**		10,838
Cash provided by operating activities		**945,884**		119,301
Investing activity				
Additions to capital assets		**(433,890)**		(111,748)
Cash used in investing activity		**(433,890)**		(111,748)
Financing activity				
Proceeds from bank loan		**-**		40,000
Cash provided by financing activity		**-**		40,000
Net increase in cash		**511,994**		47,553
Cash, beginning of year		**443,937**		396,384
Cash, end of year	**$**	**955,931**	$	443,937

The accompanying notes are an integral part of the financial statements

1. Purpose of the organization and income tax status

Pine River Institute's (the "Organization") objective is to bring an innovative, life-saving treatment facility to youth and their families in Canada. The Organization was incorporated under the Canada Corporations Act by means of Letters Patent on October 22, 2001 and transitioned to the Canada Not-for-Profit Corporation Act effective October 15, 2012. The Organization operates a live-in school and treatment centre for youth with addictive behavior.

The Organization is a registered charity under the Income Tax Act and is exempt from income tax under Section 149(1)(1) of the Income Tax Act. Registration remains valid so long as the Organization continues to fulfill the requirements of the Act and regulations in respect of registered charities.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Government grants and government assistance are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Monthly service and private pay fees are recognized in the period in which the services have been rendered.

The Organization receives government assistance in the form of forgivable loans. A forgivable loan is accounted for as government assistance (other contributions) when the Organization becomes entitled to receive the loan. Government assistance received toward current expenses, which includes the forgivable loan received by the Organization, is included in income for the year.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value.

The Organization subsequently measures all of its financial instruments at amortized cost using the straight-line method.

Transaction costs are recognized in the statement of operations in the period incurred.

2. Significant accounting policies (*continued*)

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

Equipment	-	20% declining balance
Vehicles	-	30% declining balance
Computer hardware	-	30% declining balance
Leasehold improvements	-	straight-line over the term of the lease

Contributed services

The Organization would not be able to carry out its activities without the services of numerous volunteers who donate a considerable amount of time. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. Capital assets

	Cost	Accumulated Amortization	**2022 Net Carrying Amount**	2021 Net Carrying Amount
Equipment	$ 424,494	$ 251,882	**$ 172,612**	$ 137,709
Vehicles	487,787	287,564	**200,223**	85,241
Computer hardware	183,446	130,744	**52,702**	40,798
Leasehold improvements	775,776	495,933	**279,843**	136,399
	$ 1,871,503	$ 1,166,123	**$ 705,380**	$ 400,147

4. Revenue

Government grants

The breakdown of the amounts received are as follows. All funds received in fiscal 2022 were spent by the Organization:

	2022	2021
Annual Ministry of Health funding for beds (i)	**$ 6,367,492**	$ 4,348,260
Community Infrastructure Renewal Fund for leasehold improvements	**71,888**	51,481
Incremental Ministry of Health funding for Covid-19 expenses	**-**	102,179
	$ 6,439,380	$ 4,501,920

(i) In April 2009, the Organization entered into an agreement with The Ministry of Health and Long-Term Care to receive annualized funding for 29 beds. In November 2021, the Ministry of Health and Long-Term Care agreed to provide annualized funding for an additional 30 beds. Amounts totalling $459,010 was not spent by the Organization and will therefore be returned. This amount is included in accounts payable and accrued liabilities.

4. Revenue *(continued)*

In addition to funding from The Ministry of Health and Long-Term Care, other grants received are as follows:

Other grants and other income

	2022	2021
Donations from Pine River Foundation	**$ 700,000**	$ 397,804
Other	**3,458**	3,695
	$ 703,458	$ 401,499

5. Bank loan

During the year ended March 31, 2021, the Organization received a $40,000 loan from the Government of Canada under its Canada Emergency Business Account ("CEBA") program, which is designed to provide financial support to small businesses during the COVID-19 pandemic. The loan is interest-free, unsecured, repayable on December 31, 2023 and, if the loan is repaid on or before December 31, 2023, up to $10,000 of the loan will be forgiven. The liability resulting from the $30,000 balance was initially recognized at its fair value of $30,000.

The $10,000 forgivable portion of the loan has been accounted for as other contributions and recognized in year ended March 31, 2021.

6. Donation to Pine River Foundation

During the year, the Organization donated $1,394,940 (2021 - $387,000) to Pine River Foundation.

7. Financial instruments

The Organization regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. The following analysis provides a measure of the Organization's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and bank loan. Accounts payable are generally repaid within the credit terms.

The Organization's ability to meet its obligations depends on the continuous receipt of government funding.

7. Financial instruments *(continued)*

Credit risk

The Organization is exposed to credit risk with respect to accounts receivable.

The Organization assesses, on a continuous basis, accounts receivable on the basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Organization is exposed to interest rate risk on its fixed rate financial instruments. The interest free bank loan subjects the Organization to a fair value risk.

The Organization is not exposed to any significant foreign currency risk or market risk at the statement of financial position date.

8. Commitments and contingency

Lease

The Organization is committed under operating leases for premises which expire on August 31, 2022. Minimum annual rental (exclusive of requirement to pay taxes, insurance and maintenance costs) for the next year is $19,040.

During the year, the Organization entered into an additional lease agreement with Pine River Foundation to lease the space in the Moffat House. As of the date of the financial statements, the lease agreement is still in draft and has yet to be finalized.

Contingency

On November 25, 2020, the Organization was served with a Notice of Action seeking damages in the amount of $1,500,000. This matter has been referred to the Organization's insurer. Management is of the opinion that if the claim is successful it will be covered through the policy held by the Organization, except for the nominal deductible amount. Management believes the Organization has no further exposure and therefore no amounts are accrued in these financial statements. As of the date of the financial statements, the matter is still outstanding.