# PINE RIVER INSTITUTE

# FINANCIAL STATEMENTS

**MARCH 31, 2023**

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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, 2023, 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, 2023, 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 29, 2023

# PINE RIVER INSTITUTE
## STATEMENT OF FINANCIAL POSITION

| At March 31 | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$ 223,481** | $ 955,931 |
| Accounts receivable *(Note 9)* | **486,768** | 126,720 |
| Sales tax rebate recoverable | **112,351** | 97,401 |
| Prepaid expenses and sundry | **100,238** | 99,214 |
| | **922,838** | 1,279,266 |
| **Capital assets** *(Note 3)* | **941,699** | 705,380 |
| | **$ 1,864,537** | $ 1,984,646 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities *(Note 9)* | **$ 895,412** | $ 1,240,431 |
| Government remittances payable | **184,237** | 135,008 |
| Student deposits | **59,479** | 75,419 |
| Deferred contributions *(Note 5)* | **221,617** | - |
| | **1,360,745** | 1,450,858 |
| **Bank loan** *(Note 4)* | **-** | 30,000 |
| | **1,360,745** | 1,480,858 |
| **Commitments** *(Note 8)* | | |
| **NET ASSETS** | | |
| **Net assets - unrestricted** | **503,792** | 503,788 |
| | **$ 1,864,537** | $ 1,984,646 |

*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**

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Net assets, beginning of year | **$** | **503,788** | $ | 503,786 |
| Excess of revenue over expenditures | | **4** | | 2 |
| Net assets, end of year | **$** | **503,792** | $ | 503,788 |

*The accompanying notes are an integral part of the financial statements*

# PINE RIVER INSTITUTE
## STATEMENT OF OPERATIONS

| Year ended March 31 | 2023 | 2022 |
|---|---|---|
| **Revenue** | | |
| Government grants *(Note 6)* | **$ 8,614,707** | $ 6,439,380 |
| Monthly service and private pay fees | **883,630** | 1,612,535 |
| Other grants and other income *(Notes 6 and 9)* | **457,918** | 703,458 |
| | **9,956,255** | 8,755,373 |
| **Expenditures** | | |
| Salaries and benefits | **6,252,754** | 5,024,534 |
| Donation to Pine River Foundation *(Note 9)* | **727,050** | 1,394,940 |
| Contract services | **507,883** | 445,193 |
| Operations Wilderness (OLE), Lang House and Shelburne Programs | **430,848** | 285,370 |
| Kitchen expenses | **394,290** | 281,157 |
| Maintenance | **269,933** | 328,635 |
| Rent *(Note 9)* | **248,800** | 193,991 |
| Professional fees | **141,180** | 44,523 |
| IT services and supplies | **115,468** | 132,263 |
| Utilities | **112,937** | 103,399 |
| Office and general | **104,947** | 56,209 |
| Travel and automobile | **90,101** | 34,758 |
| Communications and development | **86,510** | 86,041 |
| Telephone | **70,921** | 41,674 |
| Insurance | **66,975** | 44,807 |
| Recruiting | **60,658** | 27,854 |
| Staff training | **49,580** | 37,948 |
| Bank charges | **21,697** | 10,012 |
| Research expenses | **13,621** | 52,508 |
| Property taxes | **7,404** | 898 |
| Amortization | **182,694** | 128,657 |
| | **9,956,251** | 8,755,371 |
| **Excess of revenue over expenditures** | **$ 4** | $ 2 |

*The accompanying notes are an integral part of the financial statements*

## PINE RIVER INSTITUTE
### STATEMENT OF CASH FLOWS

| Year ended March 31 | 2023 | 2022 |
|---|---|---|
| **SOURCES (USES) OF CASH** | | |
| **Operating activities** | | |
| *Excess of revenue over expenditures* | **$ 4** | $ 2 |
| *Item not involving cash* | | |
| Amortization | **182,694** | 128,657 |
| | **182,698** | 128,659 |
| **Changes in non-cash working capital items** | | |
| Accounts receivable | **(360,048)** | 33,044 |
| Sales tax rebate recoverable | **(14,950)** | (33,152) |
| Prepaid expenses and sundry | **(1,024)** | (57,408) |
| Accounts payable and accrued liabilities | **(345,019)** | 817,273 |
| Government remittances payable | **49,229** | 25,053 |
| Deferred contributions | **221,617** | 32,415 |
| Student deposits | **(15,940)** | - |
| **Cash provided by (used in) operating activities** | **(283,437)** | 945,884 |
| **Investing activity** | | |
| Additions to capital assets | **(419,013)** | (433,890) |
| **Cash used in investing activity** | **(419,013)** | (433,890) |
| **Financing activity** | | |
| Repayment of bank loan | **(30,000)** | - |
| **Cash used in financing activity** | **(30,000)** | - |
| **Net (decrease) increase in cash** | **(732,450)** | 511,994 |
| **Cash, beginning of year** | **955,931** | 443,937 |
| **Cash, end of year** | **$ 223,481** | $ 955,931 |

*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 behaviour.

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**

*Contributions*

The Organization follows the deferral method of accounting for contributions. Restricted contributions for acquisition of capital assets, are deferred and amortized on the same basis as that on which the related assets are amortized. Unrestricted contributions (government grants and other grants) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

*Other revenue*

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

**Financial instruments**

The Organization initially measures its financial assets and financial liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and financial liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost.

## 2. Significant accounting policies (*continued*)

**Financial instruments** *(continued)*

The cost of a financial instrument originated or exchanged in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or financial liability in a related party transaction that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Organization in the transaction.

The Organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost.

Transaction costs related to financial instruments subsequently measured at fair value or to those originated or exchanged in a related party transaction are recognized in excess of revenue over expenses in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, the transaction costs are then recognized in excess of revenue over expenses over the life of the instrument using the straight-line method.

**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 remaining 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 | **2023 Net Carrying Amount** | 2022 Net Carrying Amount |
|---|---|---|---|---|
| Equipment | $ 519,288 | $ 295,884 | **$ 223,404** | $ 172,612 |
| Vehicles | 487,243 | 345,900 | **141,343** | 200,223 |
| Computer hardware | 217,392 | 151,646 | **65,746** | 52,702 |
| Leasehold improvements | 1,066,593 | 555,387 | **511,206** | 279,843 |
| | $ 2,290,516 | $ 1,348,817 | **$ 941,699** | $ 705,380 |

## 4. 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 remaining bank loan was repaid in full during fiscal 2023.

## 5. Deferred contributions

Deferred contributions relate to contributions received by the Organization for the purposes of acquiring capital assets. Changes in the deferred contributions balance are as follows:

| | **2023** | 2022 |
|---|---|---|
| Amounts received during the year | **$ 238,663** | $ - |
| Less: amounts recognized as revenue in the year *(Note 6)* | **(17,047)** | - |
| Deferred contributions, ending balance | **$ 221,616** | $ - |

## 6. Revenue

**Government grants**

The breakdown of the amounts received are as follows. All funds received in fiscal 2023 were spent by the Organization:

| | **2023** | 2022 |
|---|---|---|
| Annual Ministry of Health funding for beds (i) | **$ 8,597,660** | $ 6,367,492 |
| Community Infrastructure Renewal Fund for leasehold improvements | **17,047** | 71,888 |
| | **$ 8,614,707** | $ 6,439,380 |

(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 totaling $459,010 was not spent in fiscal 2022 by the Organization and will be returned in the upcoming fiscal year. This amount is included in accounts payable and accrued liabilities.

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

**Other grants and other income**

| | **2023** | 2022 |
|---|---|---|
| Donations from Pine River Foundation | **$ 455,000** | $ 700,000 |
| Other | **2,918** | 3,458 |
| | **$ 457,918** | $ 703,458 |

## 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. 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 intruments (*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.

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

## 8. Commitments

The Organization is committed under long-term leases for premises with related and non-related parties which expire between August 2028 to August 2029. Minimum annual rentals (exclusive of requirement to pay taxes, insurance and maintenance costs) for each of the next five years and thereafter are approximately as follows:

| | | *Related party (Note 9)* | *Non-related party* | *Total* |
|---|---|---|---|---|
| Year ending March 31, | 2024 | $ 130,054 | $ 71,886 | $ 201,940 |
| | 2025 | 130,054 | 74,548 | 204,602 |
| | 2026 | 130,054 | 74,790 | 204,844 |
| | 2027 | 130,054 | 63,046 | 193,100 |
| | 2028 | 113,554 | 22,083 | 135,637 |
| | Thereafter | 46,689 | - | 46,689 |
| | | $ 680,459 | $ 306,353 | $ 986,812 |

## 9. Related party transactions

Pine River Foundation and the Organization are related parties as they share economic interest.

During the year ended March 31, 2023, the Organization engaged in transactions in the normal course of operations, which were measured at the agreed upon exchange amount, with this related party as follows:

| | **2023** | 2022 |
|---|---|---|
| Donations received *(Note 6)* | **$ 455,000** | $ 700,000 |
| Donations paid | **$ 727,050** | $ 1,394,940 |
| Rent paid | **$ 128,554** | $ 99,292 |

At March 31, 2023, accounts receivable includes $384,327 (2022 - $Nil) owing from the above-noted related party.

At March 31, 2023, accounts payable and accrued liabilities includes $Nil (2022 - $326,632) owing to the above-noted related party.