PINE RIVER INSTITUTE

FINANCIAL STATEMENTS

MARCH 31, 2016

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Crowe Soberman

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pine River Institute

We have audited the accompanying financial statements of Pine River Institute, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, changes in net assets and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pine River Institute as at March 31, 2016, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 28, 2016

PINE RIVER INSTITUTE
STATEMENT OF FINANCIAL POSITION
At March 31

	2016	2015
ASSETS		
Current		
Cash and cash equivalents	$ 769,526	$ 628,618
Accounts receivable	70,933	21,370
Sales tax rebate recoverable	39,759	44,943
Prepaid expenses and sundry	31,163	30,539
	911,381	725,470
Capital assets *(Note 3)*	105,074	116,825
	$ 1,016,455	$ 842,295
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 296,573	$ 135,638
Government remittances payable	84,621	77,877
Student deposits and unearned revenue	131,310	123,735
	512,504	337,250
Commitments *(Note 6)*		
NET ASSETS		
Net assets	503,951	505,045
	$ 1,016,455	$ 842,295

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		2016		2015
Net assets, beginning of year	$	**505,045**	$	504,357
Excess (deficiency) of revenue over expenditures		**(1,094)**		688
Net assets, end of year	$	**503,951**	$	505,045

The accompanying notes are an integral part of the financial statements

PINE RIVER INSTITUTE
STATEMENT OF OPERATIONS

Year ended March 31	2016	2015
Revenue		
Government grant *(Note 4)*	$ 4,263,000	$ 4,263,000
Monthly service and private pay fees	928,382	621,677
Other grants and other income *(Note 4)*	316,345	169,076
	5,507,727	5,053,753
Expenditures		
Salaries and benefits	3,408,509	3,329,683
Wilderness Expedition Program (OLE)	412,343	397,148
Donation to Pine River Foundation	323,000	105,365
Contract services	282,186	358,917
Research expenses *(Note 4)*	241,733	28,196
Kitchen expenses	182,193	184,392
Rent	113,031	109,620
Maintenance	89,306	90,078
Office and general	78,466	71,985
Utilities	65,022	71,859
Staff training	40,732	38,925
Professional fees	31,408	19,779
Bank charges	29,883	21,021
Telephone	29,759	30,808
Communications and development	27,937	34,922
Insurance	23,440	24,738
Travel and automobile	21,159	33,931
Recruiting	19,997	11,685
Property taxes	15,687	15,160
Education supplies	2,546	4,728
Amortization	70,484	70,125
	5,508,821	5,053,065
Excess (deficiency) of revenue over expenditures	$ (1,094)	$ 688

The accompanying notes are an integral part of the financial statements

PINE RIVER INSTITUTE
STATEMENT OF CASH FLOWS

Year ended March 31	2016	2015
SOURCES (USES) OF CASH		
Operating activities		
Excess (deficiency) of revenue over expenditures	$ (1,094)	$ 688
Item not involving cash		
Amortization	70,484	70,125
	69,390	70,813
Changes in non-cash working capital items		
Accounts receivable	(49,563)	31,330
Sales tax rebate recoverable	5,184	10,110
Prepaid expenses and sundry	(624)	(2,883)
Accounts payable and accrued liabilities	160,935	(21,797)
Government remittances payable	6,744	12,858
Student deposits and unearned revenue	7,575	75,650
Cash provided by operating activities	199,641	176,081
Investing activities		
Additions to capital assets	(58,733)	(9,686)
Cash used in investing activities	(58,733)	(9,686)
Net increase in cash	140,908	166,395
Cash and cash equivalents, beginning of year	628,618	462,223
Cash and cash equivalents, end of year	$ 769,526	$ 628,618
Represented by:		
Cash	$ 468,437	$ 427,452
Cashable guaranteed investment certificates	301,089	201,166
	$ 769,526	$ 628,618

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 severe substance abuse.

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

Service fees are recognized in the period in which the services have been rendered.

Financial instruments

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

The Organization subsequently measures all 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*)

Cash equivalents

Investments in highly liquid securities are included in cash and cash equivalents.

Capital assets

Capital assets are recorded at cost. 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	**2016 Net Carrying Amount**	2015 Net Carrying Amount
Equipment	$ 114,184	$ 84,004	**$ 30,180**	$ 34,225
Vehicles	151,239	109,856	**41,383**	27,926
Computer hardware	90,171	74,959	**15,212**	16,839
Leasehold improvements	446,892	428,593	**18,299**	37,835
	$ 802,486	$ 697,412	**$ 105,074**	$ 116,825

Amortization expense for the year amounted to $70,484 (2015 - $70,125).

4. Government and other grants

In April 2009, the Organization entered into an agreement with The Ministry of Health and Long-Term Care to receive annualized funding of $4.2 million for 29 beds. In addition, the Organization will be eligible for annual stabilization increases in line with other addiction treatment programs. The amount received in 2016 was $4,263,000 (2015 - $4,263,000). All funds received in 2016 were spent by the Organization.

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

	2016	2015
Drug Treatment Funding Program (DTFP)	$ **162,372**	$ -
Ontario Trillium Foundation	**81,100**	111,750
Royal Bank of Canada	**50,000**	50,000
Other	**22,873**	7,326
	$ **316,345**	$ 169,076

The research expenses for the year ended March 31, 2016 are partially funded by the DTFP grant above.

5. 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. 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.

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.

6. Commitments

Lease

The Organization is committed under an operating lease for premises which expires in August, 2021. Minimum annual rental (exclusive of requirement to pay taxes, insurance and maintenance costs) for each of the next five years are approximately as follows:

Year ending March 31,	2017	$	53,220
	2018		53,220
	2019		53,220
	2020		53,220
	2021		53,220
	Thereafter		22,155

Other

The Organization is committed under an agreement for service with [redacted] for the period ending April, 2016. The agreement stipulates that [redacted] will provide the infrastructure, support and guiding expertise to host the wilderness expedition component of the school program.

7. Comparative figures

Certain reclassifications for the year ended March 31, 2015 have been made for the purpose of comparability.