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PINE RIVER INSTITUTE
FINANCIAL STATEMENTS
MARCH 31, 2018

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MARCH 31, 2018

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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, 2018, 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

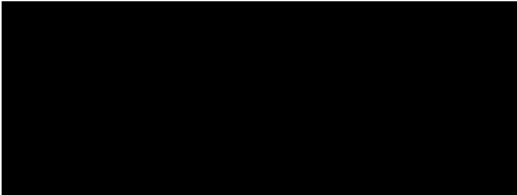
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2018, 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.



Toronto, Canada
June 13, 2018

**PINE RIVER INSTITUTE
STATEMENT OF FINANCIAL POSITION**

At March 31

2018

2017

ASSETS

Current

Cash and cash equivalents	\$ 661,180	\$ 675,739
Accounts receivable	168,902	17,729
Sales tax rebate recoverable	84,029	57,708
Prepaid expenses and sundry	78,972	83,671

993,083 **834,847**

Capital assets (Note 3)

254,811 **158,797**

\$ 1,247,894 **\$ 993,644**

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 590,278	\$ 346,166
Government remittances payable	105,918	81,831
Student deposits and unearned revenue	48,057	61,820

744,253 **489,817**

Commitments (Note 7)

NET ASSETS

Net assets **503,641** **503,827**

\$ 1,247,894 **\$ 993,644**

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

	2018	2017
Net assets, beginning of year	\$ 503,827	\$ 503,951
Deficiency of revenue over expenditures	<u>(186)</u>	<u>(124)</u>
Net assets, end of year	<u>\$ 503,641</u>	<u>\$ 503,827</u>

The accompanying notes are an integral part of the financial statements

**PINE RIVER INSTITUTE
STATEMENT OF OPERATIONS**

Year ended March 31	2018	2017
Revenue		
Government grant <i>(Note 4)</i>	\$ 4,271,758	\$ 4,263,000
Monthly service and private pay fees	985,887	985,424
Other grants and other income <i>(Note 4)</i>	301,312	156,211
	5,558,957	5,404,635
Expenditures		
Salaries and benefits	3,580,312	3,463,084
Wilderness Expedition Program (OLE)	434,360	422,302
Contract services	321,492	310,952
Donation to Pine River Foundation <i>(Note 5)</i>	291,500	243,000
Kitchen expenses	204,460	203,467
Rent	121,740	120,169
Office and general	110,971	73,925
Maintenance	107,521	138,003
Utilities	76,927	66,257
Staff training	53,451	50,470
Communications and development	41,270	49,655
Professional fees	41,072	40,865
Travel and automobile	35,133	25,127
Telephone	31,560	31,850
Insurance	24,832	23,923
Property taxes	17,398	16,093
Research expenses	7,011	55,370
Education supplies	5,885	5,325
Recruiting	4,589	1,685
Bank charges	2,396	36,361
Amortization	45,263	26,876
	5,559,143	5,404,759
Deficiency of revenue over expenditures	\$ (186)	\$ (124)

The accompanying notes are an integral part of the financial statements

**PINE RIVER INSTITUTE
STATEMENT OF CASH FLOWS**

Year ended March 31

2018

2017

SOURCES (USES) OF CASH

Operating activities

Deficiency of revenue over expenditures \$ (186) \$ (124)

Item not involving cash

Amortization 45,263 26,876

45,077 26,752

Changes in non-cash working capital items

Accounts receivable (151,173) 53,204

Sales tax rebate recoverable (26,321) (17,949)

Prepaid expenses and sundry 4,699 (52,508)

Accounts payable and accrued liabilities 244,112 49,593

Government remittances payable 24,087 (2,790)

Student deposits and unearned revenue (13,763) (69,490)

Cash provided by (used in) operating activities 126,718 (13,188)

Investing activities

Additions to capital assets (141,277) (80,599)

Cash used in investing activities (141,277) (80,599)

Net decrease in cash (14,559) (93,787)

Cash, beginning of year 675,739 769,526

Cash, end of year \$ 661,180 \$ 675,739

The accompanying notes are an integral part of the financial statements

PINE RIVER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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 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.

PINE RIVER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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

			2018	2017
			Net	Net
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Equipment	\$ 255,841	\$ 118,098	\$ 137,743	\$ 69,458
Vehicles	152,039	131,286	20,753	29,648
Computer hardware	114,430	88,673	25,757	18,371
Leasehold improvements	502,054	431,496	70,558	41,320
	\$ 1,024,364	\$ 769,553	\$ 254,811	\$ 158,797

Amortization expense for the year amounted to \$45,263 (2017 - \$26,876).

PINE RIVER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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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. The amount received in fiscal 2017 was \$4,263,000 plus a one-time funding of \$8,758 for a total of \$4,271,758 (2016 - \$4,263,000). All funds received in fiscal 2018 were spent by the Organization.

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

	2018	2017
Donations transferred from Pine River Foundation	\$ 219,200	\$ 49,843
████████████████████	20,794	33,422
Symposium conference	60,000	-
Other	1,318	981
████████████████████	-	29,167
Leitner Aftercare Grant	-	22,102
████████████████████	-	20,696
	\$ 301,312	\$ 156,211

5. Donation to Pine River Foundation

During the year, the Organization donated \$291,500 (2017 - \$243,000) to Pine River Foundation, pursuant to a management cooperation agreement.

PINE RIVER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

6. 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.

7. Commitments

Lease

The Organization is committed under two operating leases for premises which expire on August 31, 2021 and August 31, 2022 respectively. 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, 2019	\$ 92,804
2020	93,583
2021	95,920
2022	67,872
2023	19,040

Other

As at December 31, 2017, the Organization was committed under an agreement for service with [REDACTED] (" [REDACTED] ") for the period ending May 31, 2019. The agreement stipulated that [REDACTED] will provide the infrastructure, support and guiding expertise to host the wilderness expedition component of the school program. Subsequent to the year end, [REDACTED] notified the Organization that the contract would be terminated effective July 1, 2018. The program will continue in house.