Peel Addiction Assessment and Referral Centre

Financial Statements

March 31, 2021

Auditors' Report

To the board of directors of
Peel Addiction Assessment and Referral Centre

Qualified Opinion

We have audited the statement of financial position of **Peel Addiction Assessment and Referral Centre**, which comprise the statement of financial position as at **March 31, 2021** and the statements of operations, change in net assets and cash flows for the year then ended, and a summary of significant policies and other explanatory information.

In our opinion, except for the effects of such adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the following paragraph, these financial statements present fairly, in all material respects, the financial position of the **Peel Addiction Assessment and Referral Centre** as at **March 31, 2021** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility 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 auditor's 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. 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

Mississauga, Ontario
June 24, 2021

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Peel Addiction Assessment and Referral Centre

Statement of Financial Position
As at March 31

	2021	2020
Assets		
Current		
Cash	$ 1,945,058	$ 2,272,343
Short term investments (Note 2)	1,814,764	1,004,632
Accounts receivable	76,086	100,416
HST recoverable	63,956	66,234
Prepaid expenses	28,746	7,716
	3,928,610	3,451,341
Equipment (Note 3)	61,872	74,995
	$ 3,990,482	**$ 3,526,336**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 383,548	$ 344,912
Withholding taxes payable	32,990	31,867
Deferred revenue (Note 4)	61,440	92,562
Funding repayable (Note 5)	1,205,715	750,373
	1,683,693	1,219,714
Net Assets		
Unrestricted net assets	2,306,789	2,306,623
	2,306,789	2,306,623
	$ 3,990,482	**$ 3,526,337**

On behalf of the Board:

Director **Director**

Peel Addiction Assessment and Referral Centre

Statement of Operations and Statement of Change in Net Assets
Year Ended March 31

	2021	2020
Revenue		
Mississauga Halton Local Health Integration Network (MH LHIN)	$ 3,143,331	$ 2,857,673
Paymaster-Homeless initiative	275,257	332,928
Back on track program	224,640	312,449
Ontario Works Addiction Services Initiative-Region of Peel	-	53,810
LHIN one time funding	20,300	-
Outreach	174,122	165,810
Narcotics strategy funding	135,887	192,929
Addiction Supportive Housing	87,798	146,880
Community Treatment - Substance Abuse - Bridging Addiction to Counselling	79,232	76,748
HFG funding	70,212	52,101
Amortization of deferred revenue	43,268	41,227
Investment income	218	276
Grant from Region of Peel	18,000	-
Donations	6,784	2,465
	4,279,049	4,235,296
Expenses		
Salaries	2,091,206	2,318,753
Benefits	558,899	652,866
Office rent and taxes	266,748	247,902
Other program costs	86,938	117,182
Travel	10,245	65,094
Communication	51,171	46,697
Professional fees	123,373	68,327
Systems development	41,668	41,640
Office supplies	133,510	54,642
Staff education	11,350	15,274
Insurance	16,474	10,997
Advertisement	2,257	4,394
Equipment maintenance	30,185	6,930
Amortization	43,659	38,044
Sessional fees	11,807	3,957
LHIN one time funding expenses	14,697	32,635
	3,494,187	3,725,334
Operating income	784,862	509,962
Loss for potential funding repayments	784,696	699,884
Net income (loss) for the year	**166**	**(189,922)**
Net assets, beginning of year	2,306,623	2,496,545
Net assets, end of year	**$ 2,306,789**	**$ 2,306,623**

Peel Addiction Assessment and Referral Centre

Statement of Cash Flows
Year Ended March 31

	2021	2020
Operating activities		
Net income (loss) for the year	$ 166	$ (189,922)
Amortization	43,659	42,413
	43,825	(147,509)
Cash generated from (used for)		
Changes in non-cash working capital items		
Accounts receivable	24,330	64,722
Investments	(810,132)	600,021
HST recoverable	2,278	91,251
Prepaid expenses	(21,030)	-
Accounts payable and accrued liabilities	38,636	(78,968)
Withholding taxes payable	1,124	(4,057)
Deferred revenue	(31,122)	10,416
Funding repayable	455,342	606,397
(Decrease) increase from operating activities	(296,749)	1,142,273
Investing activity		
Purchase of equipment	(30,537)	(33,644)
Decrease from investing activity	(30,537)	(33,644)
(Decrease) increase in cash	**(327,286)**	**1,108,629**
Cash, beginning of year	2,272,344	1,163,715
Cash, end of year	**$ 1,945,058**	**$ 2,272,344**

Purpose of organization

Peel Addiction Assessment and Referral Centre (PAARC) was incorporated without share capital, by Letters Patent of the Province of Ontario. The organization qualifies as a tax exempt non-profit organization and a registered charity under the provisions of the Income Tax Act (Canada).

The objectives of the organization are to provide assistance and support to persons with substance abuse or addiction problems through various means, as well as to develop and promote better community understanding of these problems, their prevention and treatment.

Costs incurred in providing assessment and referral services are funded primarily by the Ontario Ministry of Health through the Mississauga Halton Local Health Integration Network (MH LHIN)

1. Significant accounting policies

The financial statements of Peel Addiction Assessment and Referral Centre are prepared in accordance with Canadian accounting standards for not-for-profit organizations as described below:

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity of another party. Financial assets of the association include cash, short term investments, and accounts receivable. The financial liabilities of the association include accounts payable and accrued liabilities.

Financial instruments are recognized on the balance sheet when the Association becomes party to the contractual provisions of the instrument. Initially, financial instruments are recognized at their fair value. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

Cash and accounts receivables are measured at their amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and are measured at their amortized cost.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the asset may be impaired.

1. Significant accounting policies (continued)

(b) Equipment

Equipment is recorded at acquisition cost. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful life.

Rates are as follows:

Asset	Rate	Method
Equipment	5 Years	straight-line
Computer equipment	3 Years	straight-line
Leasehold improvements	7 Years	straight-line

(c) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the respective assets on commencement of use of the related assets.

(d) Revenue recognition

PAARC follows the deferral method of accounting. The organization records revenue when it is received from the funding organization. Funds are usually received in advance for expenditures. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred revenue. Unspent funds are generally repayable to MH LHIN. Unrestricted contributions are recognized as revenue when received or receivable and when the amount to be received can be reasonably estimated and collectibility is reasonably certain.

The organization received funding for the Back on Track programing from the Ministry of Transportation based on the number of program participants each month. The revenue is recognized after the service has been provided and when collectibility is reasonably certain.

Investment income is recognized as revenue when it is earned.

1. Significant accounting policies (continued)

(e) Use of estimates by management

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates include rates of depreciation and contingencies. Actual results may differ from estimates.

(f) Allocation of Expenses

Management allocates human resource expenses and certain common expenses based on the respective time PAARC employees commit to the specific area of operations.

2. Short term investments

The short term investments consist of 18 GICs maturing from May 31, 2021 to August 18, 2025 with interest rate ranging from 0.55% to 2.75%.

3. Equipment

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 41,033	$ 36,832	$ 4,201	$ -
Computer equipment	101,083	73,273	27,810	29,304
Leasehold improvements	110,810	80,949	29,861	45,691
	$ 252,926	**$ 191,054**	**$ 61,872**	**$ 74,995**

4. Deferred revenue

Deferred revenue consists of the following:

	2021	2020
Region of peel funding	$ -	$ 18,000
Deferred contributions - office furinture	4,202	-
Deferred contributions - leaseholds	29,861	45,691
Deferred contributions - computer	27,377	28,871
	$ 61,440	**$ 92,562**

5. Funding repayable

The amount of funding repayable is due to various funders and is payable on request. The amount is unsecured, non-interest bearing with no fixed terms of repayment. The funding repayable consists of $784,696 from 2021, and $421,019 from prior years. The amount repayable from prior years, had not been requested to be repaid at year-end.

6. Operating lease commitments

Future minimum rental payments required under operating leases for the rental of premises and equipment that have remaining terms in excess of one year are:

2022	$ 209,123
2023	50,370
2024	3,039
	$ 262,532

The lease agreement for the organizations main office ends in January 2023. It is the boards expectation that this agreement will be renewed.

7. Subsequent Event

The COVID-19 outbreak in Canada, subsequent to the year end, has caused business disruption through mandated and voluntary closings of multiple businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

8. Financial instruments

Financial Risk Management

The Organization's activities expose it to a variety of financial risks: market risk (primarily interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Organization's management approach is to minimize the potential adverse effects from these risks on its financial instruments.

Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The organization does not currently have a significant exposure to interest rate risk.

Foreign exchange risk

Foreign exchange risk occurs as a result of exchange rate fluctuations between the time that a transaction is recorded and the time it is settled. The organization does not currently have a significant exposure to foreign exchange risk.

Credit risk

Credit risk arises from the financial assets of the Organization, which are exposed to potential counterparty default, with a maximum exposure equal to the carrying amount of the asset.

In the normal course of business, the Organization incurs credit risk from accounts receivable from third parties. The Organization performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectibility of amounts receivable. No single party accounts for a significant balance of accounts receivable. In the last two years the allowance for doubtful accounts has been $NIL and bad debt expense has been $NIL (2020 - $NIL).

The Organization's credit risk with respect to cash and cash equivalents is minimized substantially by seeking to ensure that these financial instruments are secured with a well capitalized financial institution.

8. Financial instrument (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. The Organization manages liquidity risk by maintaining cash balances and monitoring forecasts and actual cash flows. Cash flow from operations provides a substantial portion of the Organization's cash requirements.

The Organization expects future cash flows from operations, cash and cash equivalents on hand and ongoing support from government funding to be sufficient to satisfy obligations as they come due.