Peel Addiction Assessment and Referral Centre

Financial Statements

March 31, 2023

Clarkson Rouble LLP
Chartered Professional Accountants

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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, 2023** 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, 2023** 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.

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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.

Clarkson Rouble LLP

Mississauga, Ontario
June 22, 2023

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Peel Addiction Assessment and Referral Centre

Statement of Financial Position
As at March 31

	2023	2022
Assets		
Current		
Cash	$ 3,975,010	$ 2,552,322
Short term investments (Note 2)	1,818,894	1,912,224
Accounts receivable	29,719	61,617
HST recoverable	45,518	56,486
Prepaid expenses	23,894	20,486
	5,893,035	4,603,135
Equipment (Note 3)	115,565	46,825
	$ 6,008,600	**$ 4,649,960**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 390,596	$ 302,969
Withholding taxes payable	35,834	29,711
Deferred revenue (Note 4)	122,059	56,768
Funding repayable (Note 5)	3,003,568	1,896,531
	3,552,057	2,285,979
Net Assets		
Unrestricted net assets	2,456,544	2,363,981
	2,456,544	2,363,981
	$ 6,008,601	**$ 4,649,960**

On behalf of the Board:

M D'Angelo ______________ Director

______________ Director

Peel Addiction Assessment and Referral Centre

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

	2023	2022
Revenue		
Funding - Ontario Health (OH)	$ 3,094,872	$ 3,044,477
Paymaster-Homeless initiative	332,938	332,936
Back on track program	224,273	246,509
Funding - Ontario Health One-Time	47,007	29,800
Outreach	125,709	133,484
Narcotics strategy funding	197,098	212,160
Addiction Supportive Housing	106,742	139,970
Community Treatment- Substance Abuse - Bridging Addiction to Counselling - Intensive Addiction Day Treatment Service	134,633	84,680
Amortization of deferred revenue	47,307	47,065
Investment income	443	135
Donations	77,195	3,886
Other revenue	63,250	8,624
	4,451,467	4,283,726
Expenses		
Salaries	1,995,365	2,172,378
Benefits	491,672	581,545
Office rent and taxes	256,229	249,531
Other program costs	138,916	160,460
Travel	42,780	18,640
Communication	40,261	44,358
Systems development	45,524	41,572
Office supplies	39,919	52,775
Staff education	34,836	17,686
Insurance	12,557	18,310
Advertisement	70,120	86,250
Equipment maintenance	18,238	21,755
Amortization	47,307	47,065
Sessional fees	18,571	16,100
LHIN one time funding expenses	33,369	10,909
	3,285,664	3,539,334
Operating income	1,165,803	744,392
Loss for potential funding repayments	1,073,240	687,200
Net income for the year	**92,563**	**57,192**
Net assets, beginning of year	2,363,981	2,306,789
Net assets, end of year	**$ 2,456,544**	**$ 2,363,981**

Peel Addiction Assessment and Referral Centre

Statement of Cash Flows
Year Ended March 31

	2023	2022
Operating activities		
Net income for the year	$ 92,563	$ 57,192
Amortization	47,307	47,065
	139,870	104,257
Cash generated from (used for)		
Changes in non-cash working capital items		
Accounts receivable	31,898	14,469
Investments	93,330	(97,460)
HST recoverable	10,968	7,470
Prepaid expenses	(3,408)	8,260
Accounts payable and accrued liabilities	87,627	(80,579)
Withholding taxes payable	6,124	(3,280)
Deferred revenue	65,292	(4,672)
Funding repayable	1,107,036	690,816
Increase from operating activities	1,538,737	639,281
Investing activity		
Purchase of equipment	(116,048)	(32,017)
Decrease from investing activity	(116,048)	(32,017)
Increase in cash	**1,422,689**	**607,264**
Cash, beginning of year	2,552,322	1,945,058
Cash, end of year	**$ 3,975,011**	**$ 2,552,322**

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. At December 31, 2022, there were no indications of impairment.

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 programming 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 August 8, 2023 to August 18, 2025 with interest rate ranging from 0.85% to 5.1%.

3. Equipment

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 35,665	$ 9,234	$ 26,431	$ 3,151
Computer equipment	79,450	53,752	25,698	29,643
Leasehold improvements	95,835	32,399	63,436	14,031
	$ 210,950	**$ 95,385**	**$ 115,565**	**$ 46,825**

4. Deferred revenue

Deferred revenue consists of the following:

	2023	2022
Addic ON COVID funding	$ 6,926	$ 10,375
Deferred contributions - office furniture	26,431	3,151
Deferred contributions - leaseholds	63,436	14,031
Deferred contributions - computer	25,266	29,211
	$ 122,059	**$ 56,768**

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 $1,073,240 from 2023, and $1,930,328 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:

2024	$ 122,296
2025	107,149
2026	110,077
2027	113,451
2028	74,679
Thereafter	4,519
	$ 532,171

7. COVID 19

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.

8. Financial instrument (continued)

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 (2022 - $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.

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.