ADAPT - Halton Alcohol Drug and Gambling Assessment Prevention and Treatment

Financial Statements

March 31, 2021

Independent Auditors' Report

To the Board of Directors:

ADAPT - Halton Alcohol Drug and Gambling Assessment Prevention and Treatment

Qualified Opinion

We have audited the financial statements of **ADAPT - Halton Alcohol Drug and Gambling Assessment Prevention and Treatment** (the Organization), which comprise the statement of financial position as at **March 31, 2021** and **2020**, the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021 and 2020, and its financial performance 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. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and fund balances as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 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 qualified 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.

Auditor's 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 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 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 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 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.

Clarkson Rouble LLP

Mississauga, Ontario
June 16, 2021

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

ADAPT
Halton Alcohol Drug and Gambling Assessment Prevention and Treatment

Statement of Financial Position
As at March 31

	2021	2020
Assets		
Current		
Cash and cash equivalents (Note 2)	$ 2,230,827	$ 1,725,171
Accounts receivable	92,538	144,441
Sales taxes receivable	91,172	59,811
Prepaid expenses	15,718	18,355
	$ 2,430,255	**$ 1,947,778**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 339,116	$ 170,867
Due to the Ministry of Health	830,694	551,860
Due to the Region of Halton	140,103	140,103
Due to the Ministry of Children & Youth Services	10,385	4,583
	1,320,298	867,413
Net Assets	1,109,957	1,080,365
	$ 2,430,255	**$ 1,947,778**

See accompanying notes to financial statements

On behalf of the Board:

MMacLennan Director   Debh Director

ADAPT
Halton Alcohol Drug and Gambling Assessment Prevention and Treatment

Statement of Operations and Changes In Net Assets
Year Ended March 31

	2021	2020
Revenue		
Ministry of Health	$ 4,667,357	$ 4,456,865
Ministry of Children and Youth Services (Note 3)	178,261	178,261
Ministry of Community Safety and Correctional Services	80,000	80,000
United Way	77,027	77,027
Other program funding	768,025	656,187
Donations and other income	27,634	36,723
	5,798,304	5,485,063
Expenditures		
Salaries and benefits	4,184,171	4,134,902
Rent	442,518	428,140
Advertising and promotion	15,322	25,786
Bank charges	10,225	4,373
Education and training	49,520	38,073
Equipment and maintenance	58,896	55,086
Insurance	15,450	11,883
Office and general	59,785	76,003
Professional fees	106,553	39,818
Partner agency costs	123,905	60,180
Telephone	92,427	73,782
Travel	18,812	105,653
Utilities	11,094	13,903
	5,188,678	5,067,582
Excess of revenue over expenditures from operations	**609,626**	**417,481**
Surplus repayable	580,034	348,155
Excess of revenue over expenditures	**29,592**	**69,326**
Net assets, beginning of year	1,080,365	1,011,039
Net assets, end of the year	**$ 1,109,957**	**$ 1,080,365**

See accompanying notes to financial statements

ADAPT
Halton Alcohol Drug and Gambling Assessment Prevention and Treatment

Statement of Cash Flows
Year Ended March 31

	2021	2020
Operating activities		
Excess of revenue over expenses for the year	$ 29,592	$ 69,326
Cash generated from (used for)		
Operating working capital		
Accounts receivable	51,903	(111,321)
Sales taxes receivable	(31,361)	9,172
Prepaid expenses	2,637	-
Accounts payable	168,249	(80,621)
Increase (decrease) from operating activities	221,020	(113,444)
Financing activities		
Due to the Ministry of Health	278,834	38,229
Due to the Ministry of Children & Youth Services	5,802	4,583
Increase from financing activities	284,636	42,812
Increase (decrease) in cash	**505,656**	**(70,632)**
Cash and cash equivalents, beginning of year	1,725,171	1,795,803
Cash and cash equivalents, end of year	**$ 2,230,827**	**$ 1,725,171**

See accompanying notes to financial statements

The Halton Alcohol Drug and Gambling Assessment Prevention and Treatment ("ADAPT" or the "Organization") is an assessment and community treatment service of adults and youth who are affected, directly or indirectly, by alcohol, drug or gambling problems. ADAPT's services are delivered through an Adult Program serving those age 25 and over, a Youth Program serving those under the age of 25 and a Problem Gambling Program for all age groups.

ADAPT was established in 1975 by the Addiction Research Foundation as a pilot project and was the first community based addictions assessment and treatment centre in Ontario. The agency was incorporated as a charitable organization in 1976. As a registered charity, the organization is exempt from tax liability under Section 149(1)(f) of the Income Tax Act. The catchment area is the Region of Halton. The Organization's main office is in Oakville with satellite offices in Burlington, Milton, Georgetown and Acton.

1. Summary of significant accounting policies

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized as follows:

a) Cash and cash equivalents

Cash and cash equivalents consist of deposits in bank and term deposits which consist of redeemable guaranteed investment certificates. The Organization also has an available credit facility (Note 2).

b) Financial instruments

Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for term deposits, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

1. Summary of significant accounting policies (continued)

Financial assets measured at fair value include term deposits which consists of guaranteed investment certificates. The organization has elected to carry its guaranteed investment certificates at fair value as these investments are considered part of cash and cash equivalents (Note 2). The accrued interest recorded on such investments was felt to more accurately reflect the cash value of the guaranteed investments at year end.

The organization does not have any financial liabilities measured at fair value and has not elected to recognized any financial liabilities at fair value.

c) Capital assets

The policy followed by the Organization in accounting for capital assets is to expense acquisitions in the year acquired, which is not in accordance with Canadian generally accepted accounting policies.

Capital assets held include computer hardware, software, office furniture and equipment. The cost of capital assets purchased and expensed during the year was $40,157 (2020 - $38,603).

d) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred.

e) Measurement uncertainty

The preparation of the organization's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Valuation of accounts receivable and accrued liabilities are the most significant items that involve use of estimates.

2. Cash and cash equivalents

	2021	2020
Cash held in bank - at cost	$ 1,335,875	$ 833,105
Guaranteed Investment Certificates - at fair value	894,952	892,066
	$ 2,230,827	**$1,725,171**

The Organization has a credit facility for $100,000 secured by a General Security Agreement covering all assets. The facility bears interest of prime plus .5% per annum. As at March 31, 2021 the outstanding balance related to the credit facility was $Nil (2020 - $Nil).

3. Contract with the Ministry of Children and Youth Services

The organization has a service contract with the Ministry of Children and Youth Services (MCYS), in which one requirement of the contract is the production by Management of a Transfer Payment Annual Reconciliation (TPAR) which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract. The following is the surplus/deficit position for the year ended March 31, 2021 on each of the contracts:

Detail Code	Service Name	MCYS Funding	Net Expenses	Surplus (Deficit)
A837	Substance Abuse	$ 82,000	$ 82,000	$ -
A804	Extrajudicial Sanction (EJS) Program	96,261	90,459	5,802
		$ 178,261	**$ 172,459**	**$ 5,802**

4. Lease obligations

The Organization has operating lease commitments in respect of its various office premises which end at various times through 2028. Lease commitments for the remaining lease terms are as follows.

2022	192,875
2023	156,204
2024	48,377
2025	41,642
Thereafter	105,462
	$ 544,560

5. Financial instruments risk exposure

The Organization is exposed to various risks through financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to accounts receivable, however the risk is limited due to the nature of its accounts receivable. Contributions are not recorded in receivables unless collection is reasonably assured. The allowance for doubtful accounts is $Nil (2020 - $Nil)

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable. The Organization expects to meet these obligations as they come due through sufficient cash flow from operations. The Organization has not had issues with meeting obligations in the past..

There has been no change in risk assessment from the prior period.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Due to the nature of the organization and the type of financial assets and liabilities that it carries, the Organization is not significantly exposed to currency risk, interest rate risk or other price risk.