
Financial statements of Centre d'accueil le Programme de Portage Inc.

March 31, 2023

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Independent Auditor's Report

To the Board of Directors of
Centre d'accueil le Programme de Portage Inc.

Qualified Opinion

We have audited the financial statements of Centre d'accueil le Programme de Portage Inc. (the "Corporation"), which comprise the statement of financial position as at March 31, 2023, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for 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 Corporation 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

The Corporation did not present in current liabilities an amount of \$1,276,201 with regards to the financing of attendance days which is subject to recovery according to the terms of the agreement "Entente de financement concernant les services offerts par le Centre d'accueil le Programme de Portage Inc." with the "ministère de la Santé et des Services sociaux du Québec ("MSSS")", which constitutes a departure from the Canadian accounting standards for not-for-profit organizations. This is a result of a decision taken by management who is of the view that, as has been the case over the past two years, the MSSS will not require the reimbursement of the funds despite the fact that the terms of the contract were not adhered to. If the current liability was recognized, the current liabilities as at March 31, 2023 would have been increased by \$1,276,201 and the corresponding revenue for the year ended March 31, 2023 would have been decreased by \$1,276,201.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Corporation 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 GAAS 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 GAAS, 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 Corporation'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 Corporation'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 Corporation 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.

Deloitte LLP

August 10, 2023

¹ CPA auditor, public accountancy permit No. A132478

Centre d'accueil le Programme de Portage Inc.
Statement of revenue and expenses
Year ended March 31, 2023

	Notes	2023	2022
		\$	\$
Revenue			
Government programs		15,890,258	16,789,046
Donations from The Portage Foundation	8	3,964,859	773,506
Amortization of deferred grants related to fixed assets	7	19,585	21,760
Other		285,731	175,246
		20,160,433	17,759,558
Expenses			
Clinical services	8	11,965,673	11,398,837
Support services		6,774,451	4,532,156
Administration		1,852,988	1,743,450
Amortization of fixed assets		22,685	25,205
		20,615,797	17,699,648
(Deficiency) excess of revenue over expenses		(455,364)	59,910

The accompanying notes are an integral part of the financial statements.

Centre d'accueil le Programme de Portage Inc.
Statement of changes in net assets
Year ended March 31, 2023

			2023	2022
	Invested in fixed assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	31,002	749,766	780,768	720,858
(Deficiency) excess of revenue over expenses	(3,100)	(452,264)	(455,364)	59,910
Balance, end of year	27,902	297,502	325,404	780,768

The accompanying notes are an integral part of the financial statements.

Centre d'accueil le Programme de Portage Inc.
Statement of financial position
As at March 31, 2023

	Notes	2023	2022
		\$	\$
Assets			
Current assets			
Accounts receivable	3	3,133,914	2,318,404
Prepaid expenses		102,285	41,815
		3,236,199	2,360,219
Loan receivable from The Portage Foundation	8	202,887	202,887
Fixed assets	4	204,160	226,845
		3,643,246	2,789,951
Liabilities			
Current liabilities			
Bank overdraft	5	136,345	92,437
Bank loan	5	350,000	—
Accounts payable and accrued liabilities	6	2,655,239	1,720,903
		3,141,584	1,813,340
Deferred grants related to fixed assets	7	176,258	195,843
		3,317,842	2,009,183
Commitments	9		
Net assets			
Invested in fixed assets		27,902	31,002
Unrestricted		297,502	749,766
		325,404	780,768
		3,643,246	2,789,951

The accompanying notes are an integral part of the financial statements.

Approved by the Board

 Peter J. Hawley , Director

 Russell H.T. King , Director

Centre d'accueil le Programme de Portage Inc.
Statement of cash flows
Year ended March 31, 2023

	2023	2022
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(455,364)	59,910
Adjustments for:		
Amortization of deferred grants related to fixed assets	(19,585)	(21,760)
Amortization of fixed assets	22,685	25,205
	(452,264)	63,355
Changes in non-cash operating working capital items		
Accounts receivable	(815,510)	281,219
Prepaid expenses	(60,470)	13,637
Accounts payable and accrued liabilities	934,336	(331,072)
	(393,908)	27,139
Investing activity		
Loan receivable from The Portage Foundation	—	(776)
Financing activity		
Bank loan	350,000	—
Net (decrease) increase in cash and cash equivalents	(43,908)	26,363
Bank overdraft, beginning of year	(92,437)	(118,800)
Bank overdraft, end of year	(136,345)	(92,437)

The accompanying notes are an integral part of the financial statements.

Centre d'accueil le Programme de Portage Inc.

Notes to the financial statements

March 31, 2023

1. Description of the Corporation

Centre d'accueil le Programme de Portage Inc. (the "Corporation") is incorporated under the *Business Corporations Act* (Québec) and, pursuant to the *Income Tax Act*, is designated as a registered charity.

The Corporation encompasses drug addiction rehabilitation centres in Saint-Malachie, Québec City, Lac Écho, Montréal and West Island of Montréal.

The Corporation, The Portage Program for Drug Dependencies Inc. and The Portage Foundation are managed, for the most part, by the same members of the Board of Directors and are therefore related entities.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Deferred contributions are recognized as contributions in the year in which the related expenses are incurred. Restricted contributions related to fixed assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired fixed assets. Unrestricted contributions are recognized as contributions when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fixed assets

Fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the assets and the following methods:

Sewage treatment system	Straight-line	5%
Generators, security and fire prevention	Straight-line	5%
Leasehold improvements	Declining balance	10%
Furniture and equipment	Declining balance	10%

Impairment of fixed assets

When conditions indicate that a fixed asset is impaired, the net carrying amount of the fixed asset shall be written down to the asset's fair value or replacement cost. The write-downs of fixed assets shall be accounted for as expenses in the statement of revenue and expenses. A write-down shall not be reversed.

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Corporation in the transaction.

2. Accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

All financial instruments are subsequently measured at amortized cost.

Transaction costs

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of revenue and expenses as interest income or expense.

Impairment

With respect to financial assets measured at cost or amortized cost, the Corporation recognizes in the statement of revenue and expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of revenue and expenses in the period the reversal occurs.

Allocation of expenses

Salaries and benefits are allocated between clinical services, support services and administration in proportion to the estimated amount of time employees spend on each activity. The other administrative expenses are allocated between services in proportion to their estimated uses. This allocation methodology is applied consistently.

Use of estimates

The preparation of financial statements in conformity 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Centre d'accueil le Programme de Portage Inc.
Notes to the financial statements
 March 31, 2023

3. Accounts receivable

	2023	2022
	\$	\$
Ministère de la Santé et des Services sociaux du Québec	1,224,888	1,042,162
Correctional Service Canada	7,391	7,391
Mouvement pour l'Intégration et la Rétention en Emploi (MIRE)	—	528
The Portage Foundation	1,721,205	—
The Portage Program for Drug Dependencies Inc.	—	1,157,168
Les habitations communautaires Portage	4,531	—
Les habitations communautaires Portage II	28,114	8,903
Garderie Ribambelle Montréal	45,596	—
Other	102,060	87,608
	3,133,785	2,303,760
Youth centre	258	395,702
Allowance for doubtful accounts	(129)	(381,058)
	129	14,644
	3,133,914	2,318,404

4. Fixed assets

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Sewage treatment system	400,067	400,067	—	—
Generators, security and fire prevention	108,536	108,536	—	—
Leasehold improvements	966,759	774,434	192,325	213,693
Furniture and equipment	395,458	383,623	11,835	13,152
	1,870,820	1,666,660	204,160	226,845

5. Credit facility

The Corporation has a demand loan up to a maximum of \$450,000, renewable each year, bearing interest at a rate equal to the financial institution's prime rate (6.70% as at March 31, 2023; 2.70% as at March 31, 2022), plus 0.25%. As at March 31, 2023, the outstanding balance is \$350,000 (nil as at March 31, 2022). The bank overdraft balance consists solely of outstanding cheques.

6. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Suppliers	352,445	236,817
Ministère de la Santé et des Services sociaux du Québec	692,437	70,704
The Portage Foundation	—	210,139
The Portage Program for Drug Dependencies Inc.	362,687	—
Mouvement pour l'Intégration et la Rétention en Emploi (MIRE)	47,671	—
Les habitations communautaires Portage	—	8,835
Accrued liabilities	81,492	115,580
Salaries and vacation payable	1,032,713	1,037,394
Government remittances	85,794	41,434
	2,655,239	1,720,903

7. Deferred grants related to fixed assets

	2023	2022
	\$	\$
Balance, beginning of year	195,843	217,603
Amortization of deferred grants related to fixed assets	(19,585)	(21,760)
Balance, end of year	176,258	195,843

8. Related party transactions

Economic interest

The Corporation has an economic interest in The Portage Foundation, given that The Portage Foundation was created to give financial help to the Corporation. The Corporation requires private donations through The Portage Foundation in addition to public funding to meet its financial obligations.

The Portage Foundation's fund balances amount to \$12,182,000 as at March 31, 2023 (\$16,426,397 as at March 31, 2022). Of this amount, \$6,282,460 (\$4,876,068 in 2022) represents the fixed assets fund.

Centre d'accueil le Programme de Portage Inc.
Notes to the financial statements
 March 31, 2023

8. Related party transactions (continued)

Related party transactions (continued)

The following table summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2023	2022
	\$	\$
Revenue		
The Portage Foundation		
Donations	3,964,859	773,506
Interest ⁽¹⁾	8,548	—
The Portage Program for Drug Dependencies Inc.		
Private beds	78,529	45,433
Interest ⁽¹⁾	10,524	19,266
Expenses		
The Portage Foundation		
Rent	2,132,314	1,053,467
Interest ⁽¹⁾	—	1,952
The Portage Program for Drug Dependencies Inc.		
Management fees ⁽²⁾		
Day centre	83,340	83,705
Adolescent program	266,700	267,857
Mother and Child program Montréal	416,712	418,527
Rehabilitation – MICA	250,020	242,746
Adolescent program West Island	200,028	200,893
Saint-Malachie	266,700	267,857
Allocated expenses ⁽³⁾	1,314,272	999,879

At the end of the year, the amounts due to (from) related parties are payable on demand and have arisen from the transactions referred to above, except for the loan receivable from The Portage Foundation. The loan receivable is being loaned for long-term investment purposes and is therefore classified as long-term. There is no fixed interest on the loan, however, the Corporation is entitled to its proportionate share of income earned on the investment.

(1) Interest is calculated on related party balances on a quarterly basis at the rate of 1.635%.

(2) Management fees represent centralized management fees and are charged to related parties, which are included in clinical services expense.

(3) This amount represents allocated expenses that are centralized and charged to related parties in order to benefit from economies.

Centre d'accueil le Programme de Portage Inc.

Notes to the financial statements

March 31, 2023

9. Commitments

The Corporation is committed to The Portage Foundation under premises rental leases, renewable yearly, to annual fixed payments of \$1,977,633 and an additional rent amount of \$829,841 over the next five years. The Corporation is also committed under long-term leases for a total amount of \$94,714, over three years, for other premises, housing and car rental. Minimum payments for the forthcoming years are as follows:

	\$
2024	2,214,381
2025	2,164,030
2026	2,151,103
2027	2,141,603
2028	2,141,603

10. Financial instruments

Credit risk

The Corporation provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains an allowance for doubtful accounts.

Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations, including expected public funding, to meet its requirements. As at March 31, 2023, the most significant financial liabilities are the bank loan and accounts payable and accrued liabilities.