
**Financial statements of
The Portage Program for
Drug Dependencies Inc.**

March 31, 2022

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Independent Auditor's Report

To the Board of Directors of
The Portage Program for Drug Dependencies Inc.

Opinion

We have audited the financial statements of The Portage Program for Drug Dependencies Inc. (the "Corporation"), which comprise the statement of financial position as at March 31, 2022, and the statements of revenue and expenses, changes in net deficit 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2022, 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 Opinion

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 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

June 28, 2022

¹ CPA auditor, public accountancy permit No. A132478

The Portage Program for Drug Dependencies Inc.**Statement of revenue and expenses**

Year ended March 31, 2022

	Notes	2022	2021
		\$	\$
Revenue			
Government programs	12	6,480,527	6,911,223
Services	11	1,962,199	1,825,962
Donations from The Portage Foundation	11	932,784	1,145,955
Amortization of deferred contributions related to fixed assets	7	2,846	3,558
Amortization of deferred grants related to fixed assets	8	35,556	35,280
Other		45	32,599
		9,413,957	9,954,577
Expenses			
Clinical services	11 and 12	4,899,828	5,494,988
Support services		2,195,792	2,293,924
Service costs – programs		2,340,561	2,263,598
Administration	11	471,172	476,020
Doubtful accounts		11,428	12,397
Amortization of fixed assets		58,267	48,399
		9,977,048	10,589,326
Deficiency of revenue over expenses		(563,091)	(634,749)

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

The Portage Program for Drug Dependencies Inc.

Statement of changes in net deficit

Year ended March 31, 2022

	2022		2021	
	Invested in fixed assets	Unrestricted	Total	
	\$	\$	\$	
Balance, beginning of year	68,859	(2,532,213)	(2,463,354)	(1,828,605)
Deficiency of revenue over expenses	(19,865)	(543,226)	(563,091)	(634,749)
Balance, end of year	48,994	(3,075,439)	(3,026,445)	(2,463,354)

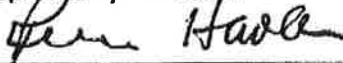
The accompanying notes are an integral part of the financial statements.

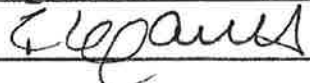
The Portage Program for Drug Dependencies Inc.
Statement of financial position
As at March 31, 2022

	Notes	2022	2021
		\$	\$
Assets			
Current assets			
Cash		—	6,254
Accounts receivable	3	715,035	419,667
Prepaid expenses		52,660	35,544
		767,695	461,465
Fixed assets			
	4	81,500	139,767
		849,195	601,232
Liabilities			
Current liabilities			
Bank overdraft		107,240	—
Bank loan	5	215,000	—
Accounts payable and accrued liabilities	6	3,481,806	2,956,577
Deferred revenue		39,088	37,101
		3,843,134	2,993,678
Deferred contributions related to fixed assets	7	11,387	14,233
Deferred grants related to fixed assets	8	21,119	56,675
		3,875,640	3,064,586
Commitments	10		
Net deficit			
Invested in fixed assets		48,994	68,859
Unrestricted		(3,075,439)	(2,532,213)
		(3,026,445)	(2,463,354)
		849,195	601,232

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

Approved by the Board


_____, Director


_____, Director

The Portage Program for Drug Dependencies Inc.
Statement of cash flows
Year ended March 31, 2022

	Notes	2022	2021
		\$	\$
Operating activities			
Deficiency of revenue over expenses		(563,091)	(634,749)
Adjustments for:			
Amortization of deferred contributions related to fixed assets		(2,846)	(3,558)
Amortization of deferred grants related to fixed assets		(35,556)	(35,280)
Amortization of fixed assets		58,267	48,399
		(543,226)	(625,188)
Changes in non-cash operating working capital items	9	214,732	904,342
		(328,494)	279,154
Investing activity			
Acquisition of fixed assets		—	(44,607)
Financing activity			
Bank loan		215,000	(215,000)
Net (decrease) increase in cash and cash equivalents		(113,494)	19,547
Cash (bank overdraft), beginning of year		6,254	(13,293)
(Bank overdraft) cash, end of year		(107,240)	6,254

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

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

1. Description of the Corporation

The Portage Program for Drug Dependencies Inc. (the "Corporation") was incorporated under the *Canada Not-for-profit Corporations Act* and is a registered charity under the *Income Tax Act*.

The Corporation operates drug rehabilitation programs in New Brunswick, Ontario and Québec.

The Corporation, Centre d'accueil le Programme de Portage Inc. (the "Centre") and The Portage Foundation (the "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:

Adoption of the amendments to Section 3856, Financial Instruments, for financial instruments originated or exchanged in a related party transaction

Effective April 1, 2021, the Corporation has adopted the amendments to Handbook Section 3856, *Financial Instruments* ("Section 3856") related to the recognition of financial instruments originated or exchanged in a related party transaction (referred to herein as the "related party financial instruments amendments").

These amendments to Section 3856 establish guidance for determining the measurement of a related party financial instrument. These modifications require that such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms.

The adoption of the amendments has no material impact on the disclosures, nor the amounts recognized in the Corporation's financial statements in the current period.

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.

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

2. Accounting policies (continued)

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:

Renovations – generator	Straight-line	5%
Equipment – generator	Straight-line	20%
Sewage treatment system	Straight-line	5%
Leasehold improvements	Declining balance	10%
Automotive equipment	Straight-line	30%
Trailers	Straight-line	10%
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	33 1/3%
Accounting software	Straight-line	33 1/3%

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.

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.

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

2. Accounting policies (continued)

Financial instruments (continued)

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, service costs and administration in proportion to the estimated amount of time employees spend on each activity. 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.

3. Accounts receivable

	2022	2021
	\$	\$
Private beds	79,481	122,739
Ministry of Health of New Brunswick	459,154	—
Ministry of Community and Social Services of Ontario	12,155	16,620
Mouvement pour l'Intégration et la Rétention en Emploi	35,552	91,299
The Portage Foundation	—	61,955
Les habitations communautaires Portage	3,531	3,164
Les habitations communautaires Portage II	—	6,076
Consumer sales tax and other	152,057	133,281
	741,930	435,134
Allowance for doubtful accounts	(26,895)	(15,467)
	715,035	419,667

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

4. Fixed assets

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Renovations – generator	22,996	6,133	16,863	18,014
Equipment – generator	152,150	152,150	–	30,430
Sewage treatment system	114,714	109,003	5,711	11,447
Leasehold improvements	173,056	157,627	15,429	17,144
Automotive equipment	49,092	49,092	–	–
Trailers	63,128	63,128	–	–
Furniture and equipment	205,811	188,336	17,475	21,844
Computer equipment	17,703	17,703	–	–
Accounting software	44,607	18,585	26,022	40,888
	843,257	761,757	81,500	139,767

5. Credit facility

The Corporation has a credit facility up to a maximum of \$450,000, renewable each year, bearing interest at a rate equal to the financial institution's prime rate (2.70% as at March 31, 2022; 2.45% as at March 31, 2021), plus 0.25%. As at March 31, 2022, the outstanding balance is \$215,000 (nil as at March 31, 2021).

6. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Suppliers	142,993	73,766
Accrued liabilities	264,621	258,580
Salaries and vacation payable	501,775	696,654
Government remittances	26,874	25,748
Centre d'accueil le Programme de Portage Inc.	1,157,168	1,901,829
The Portage Foundation	1,305,298	–
Les habitations communautaires Portage II	83,077	–
	3,481,806	2,956,577

7. Deferred contributions related to fixed assets

	2022	2021
	\$	\$
Balance, beginning of year	14,233	17,791
Amortization of deferred contributions related to fixed assets	(2,846)	(3,558)
Balance, end of year	11,387	14,233

The Portage Program for Drug Dependencies Inc.
Notes to the financial statements
 March 31, 2022

8. Deferred grants related to fixed assets

	2022	2021
	\$	\$
Balance, beginning of year	56,675	91,955
Amortization of deferred grants related to fixed assets	(35,556)	(35,280)
Balance, end of year	21,119	56,675

9. Additional information relating to the statement of cash flows

	2022	2021
	\$	\$
Changes in non-cash operating working capital items		
Accounts receivable	(295,368)	25,457
Prepaid expenses	(17,116)	12,735
Accounts payable and accrued liabilities	525,229	863,424
Deferred revenue	1,987	2,726
	214,732	904,342

10. Commitments

The Corporation is committed to the Foundation under premises rental leases to pay a fixed amount of \$649,153 annually and an additional rent amount of \$395,897, over the next five years. In addition, the Corporation is committed under long-term leases to pay an amount of \$45,066, over three years, for the use of premises and vehicles. The commitments for the next years are as follows:

	\$
2023	768,993
2024	742,984
2025	729,472
2026	724,324
2027	720,955

11. Related party transactions

Economic interest

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

The Foundation's fund balances amount to \$16,426,397 as at March 31, 2022 (\$15,521,768 as at March 31, 2021). Of this amount, \$4,876,068 (\$5,193,364 in 2021) represents the fixed assets fund.

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

11. Related party transactions (continued)

Related party transactions

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.

	2022	2021
	\$	\$
Revenue		
Centre d'accueil le Programme de Portage Inc.		
Management fees ⁽¹⁾	1,481,585	1,234,542
The Portage Foundation		
Management fees ⁽¹⁾	160,000	160,000
Donations (including \$2,846 of amortization of deferred contributions related to fixed assets; \$3,558 in 2021)	935,630	1,149,513
Interest ⁽²⁾	—	2,391
Expenses		
Centre d'accueil le Programme de Portage Inc.		
Private beds	45,433	185,383
Interest ⁽²⁾	19,266	32,014
The Portage Foundation		
Rent	745,520	715,961
Interest ⁽²⁾	12,507	—
Expenses charged to programs		
Centre d'accueil le Programme de Portage Inc.		
Clinical services ⁽³⁾	911,780	785,368
Administration ⁽³⁾	88,099	87,254

At the end of the year, the amounts due to (from) related entities are payable on demand and have arisen from the transactions referred to above.

1. Management fees represent centralized management fees and are charged to related parties, which are included in services revenue.
2. Interest is calculated on related party balances on a quarterly basis at the rate of 1.635%.
3. Represent corporate expenses that are centralized and charged to related parties in order to benefit from economies.

12. Job Readiness Measure project

The Corporation has signed an agreement with the ministère du Travail, de l'Emploi et de la Solidarité sociale (Emploi-Québec) for the project "Job Readiness Measure". The total revenue and expenses for this project were \$200,666 from April 1 to June 30, 2021, and \$536,589 from July 1, 2021 to March 31, 2022 (\$195,742 from April 1 to June 30, 2020, and \$557,359 from July 1, 2020 to March 31, 2021).

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2022

13. 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 provisions to mitigate credit losses.

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, 2022, the most significant liabilities are the bank overdraft, bank loan and accounts payable and accrued liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The bank loan has a variable interest rate. Therefore, a variation in interest rates on the market would have an impact on cash flows.