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

March 31, 2024

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Independent Auditor's Report

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

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, 2024, 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, 2024, 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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2023, has been restated. Our opinion is not modified in respect of this matter.

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[1]

July 4, 2024

[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, 2024

	Notes	2024	2023
		$	$ (Restated – see Note 2)
Revenue			
Government programs		**18,735,841**	14,614,057
Donations from The Portage Foundation	9	**3,765,523**	3,964,859
Amortization of deferred grants related to fixed assets	8	**17,625**	19,585
Other		**67,400**	285,731
		22,586,389	18,884,232
Expenses	9		
Clinical services		**13,851,178**	11,965,673
Support services		**6,195,352**	6,774,451
Administration		**2,215,130**	1,852,988
Amortization of fixed assets		**20,415**	22,685
		22,282,075	20,615,797
Excess (deficiency) of revenue over expenses		**304,314**	(1,731,565)

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

Centre d’accueil le Programme de Portage Inc.

Statement of changes in net deficit

Year ended March 31, 2024

				2024	2023
		Invested in fixed assets	Unrestricted	Total	Total
		$	$	$	$ (Restated – see Note 2)
Balance, beginning of year, previously stated		27,902	297,502	325,404	780,768
Adjustment	2	—	(1,276,201)	(1,276,201)	—
Balance, beginning of year, adjusted balance		27,902	(978,699)	(950,797)	780,768
Excess (deficiency) of revenue over expenses		(2,790)	307,104	304,314	(1,731,565)
Balance, end of year		25,112	(671,595)	(646,483)	(950,797)

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, 2024

	Notes	2024	2023
		$	$ (Restated – see Note 2)
Assets			
Current assets			
Accounts receivable	4	**1,595,495**	3,133,914
Prepaid expenses		**93,433**	102,285
		1,688,928	3,236,199
Loan receivable from The Portage Foundation	9	**202,887**	202,887
Fixed assets	5	**183,745**	204,160
		2,075,560	3,643,246
Liabilities			
Current liabilities			
Bank overdraft	6	**18,078**	136,345
Bank loan	6	**185,000**	350,000
Accounts payable and accrued liabilities	7	**2,360,332**	3,931,440
		2,563,410	4,417,785
Deferred grants related to fixed assets	8	**158,633**	176,258
		2,722,043	4,594,043
Commitments	10		
Net assets			
Invested in fixed assets		**25,112**	27,902
Unrestricted		**(671,595)**	(978,699)
		(646,483)	(950,797)
		2,075,560	3,643,246

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

Approved by the Board

_____________________________, Director

_____________________________, Director

Centre d'accueil le Programme de Portage Inc.
Statement of cash flows
Year ended March 31, 2024

	2024	2023
	$	$ (Restated – see Note 2)
Operating activities		
Excess (deficiency) of revenue over expenses	**304,314**	(1,731,565)
Adjustments for:		
Amortization of deferred grants related to fixed assets	**(17,625)**	(19,585)
Amortization of fixed assets	**20,415**	22,685
	307,104	(1,728,465)
Changes in non-cash operating working capital items		
Accounts receivable	**1,538,419**	(815,510)
Prepaid expenses	**8,852**	(60,470)
Accounts payable and accrued liabilities	**(1 571 108)**	2,210,537
	283,267	(393,908)
Financing activities		
Increase in bank loan	**—**	350,000
Repayment of bank loan	**(165,000)**	—
	(165,000)	350,000
Net increase (decrease) in cash and cash equivalents	**118,267**	(43,908)
Bank overdraft, beginning of year	**(136,345)**	(92,437)
Bank overdraft, end of year	**(18,078)**	(136,345)

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

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. Restatement

For the year ended March 31, 2023, the Corporation's financial statements did not include 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 constituted a departure from the Canadian accounting standards for not-for-profit organizations. This was a result of a decision taken by management who was of the view that, as had been the case in past years, the MSSS would not require the reimbursement of the funds despite the fact that the terms of the contract were not adhered to.

The MSSS confirmed in fiscal year 2024 that this financing should not have been included in fiscal year 2023. As a result, management has decided to adjust the 2023 comparative figures by reducing government programs revenue and increasing accounts payable and accrued liabilities by $1,276,201.

	Previously stated	Adjustment	Adjusted balance
	$	$	$
Statement of revenue and expenses			
Revenue			
Government programs	15,890,258	1,276,201	14,614,057
Total revenue	20,160,433	1,276,201	18,884,232
Deficiency of revenue over expenses	455,364	1,276,201	1,731,565
Statement of changes in net deficit			
Deficiency of revenue over expenses	455,364	1,276,201	1,731,565
Balance, end of year	325,404	1,276,201	950,797
Statement of financial position			
Current liabilities			
Accounts payable and accrued liabilities	2,655,239	1,276,201	3,931,440
Total current liabilities	3,141,584	1,276,201	4,417,785
Total liabilities	3,317,842	1,276,201	4,594,043
Net assets			
Unrestricted	297,502	1,276,201	978,699
Total net assets	325,404	1,276,201	950,797

3. 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.

3. 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.

4. Accounts receivable

	2024	2023
	$	$
Ministère de la Santé et des Services sociaux du Québec	1,149,720	1,224,888
Correctional Service Canada	5,317	7,391
The Portage Foundation	77,224	1,721,205
Les habitations communautaires Portage	—	4,531
Les habitations communautaires Portage II	—	28,114
Garderie Ribambelle Montréal	276,050	45,596
Other	87,184	102,060
	1,595,495	3,133,785
Youth centre	—	258
Allowance for doubtful accounts	—	(129)
	—	129
	1,595,495	3,133,914

5. Fixed assets

			2024	2023
	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	793,666	173,093	192,325
Furniture and equipment	395,458	384,806	10,652	11,835
	1,870,820	1,687,075	183,745	204,160

6. 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 (7.20% as at March 31, 2024; 6.70% as at March 31, 2023), plus 0.25%. The balance of the credit facility as at March 31, 2024, is $185,000 ($350,000 as at March 31, 2023). The bank overdraft balance consists solely of outstanding cheques.

7. Accounts payable and accrued liabilities

	2024	2023
	$	$ (Restated – see Note 2)
Suppliers	**586,391**	352,445
Ministère de la Santé et des Services sociaux du Québec	**433,414**	1,968,638
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	**20,321**	—
Les habitations communautaires Portage II	**26,402**	—
Institut Portage	**15,000**	—
Accrued liabilities	**116,609**	81,492
Salaries and vacation payable	**1,071,075**	1,032,713
Government remittances	**91,120**	85,794
	2,360,332	3,931,440

8. Deferred grants related to fixed assets

	2024	2023
	$	$
Balance, beginning of year	**176,258**	195,843
Amortization of deferred grants related to fixed assets	**(17,625)**	(19,585)
Balance, end of year	**158,633**	176,258

9. 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 $9,288,081 as at March 31, 2024 ($12,182,000 as at March 31, 2023). Of this amount, $4,635,070 ($6,282,460 in 2023) represents the fixed assets fund.

9. 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.

	2024	2023
	$	$
Revenue		
The Portage Foundation		
Donations	**3,765,523**	3,964,859
Interest(1)	**28,845**	8,548
The Portage Program for Drug Dependencies Inc.		
Private beds	**7,091**	78,529
Interest(1)	**—**	10,524
Expenses		
The Portage Foundation		
Rent	**2,198,366**	2,132,314
The Portage Program for Drug Dependencies Inc.		
Interest(1)	**17,186**	—
Management fees(2)		
Adult program	**151,439**	—
Day centre	**102,699**	83,340
Adolescent program	**316,005**	266,700
Mother and Child program Montréal	**420,080**	416,712
Rehabilitation – MICA	**474,011**	250,020
Adolescent program West Island	**316,005**	200,028
Saint-Malachie	**442,397**	266,700
Allocated expenses(3)	**1,131,953**	1,314,272

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 quaterly 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.

10. Commitments

The Corporation is committed to The Portage Foundation under premises rental leases, renewable yearly, to annual fixed payments of $1,971,803 and an additional rent amount of $1,132,811 over the next five years. The Corporation is also committed under long-term leases for a total amount of $73,160, over four years, for other premises, housing and car rental. Minimum payments for the forthcoming years are as follows:

	$
2025	2,245,650
2026	2,213,417
2027	2,206,484
2028	2,201,072
2029	2,198,363

11. 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, if applicable.

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, 2024, the most significant financial liabilities are the bank loan and accounts payable and accrued liabilities.