
Financial statements of
The Portage Program for
Drug Dependencies Inc.

March 31, 2024

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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, 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.

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

July 4, 2024

The Portage Program for Drug Dependencies Inc.

Statement of revenue and expenses

Year ended March 31, 2024

	Notes	2024	2023
		\$	\$
Revenue			
Government programs	13	6,573,463	6,521,191
Services	12	3,096,929	1,994,816
Donations from The Portage Foundation	12	2,838,995	3,048,585
Amortization of deferred contributions related to fixed assets	7	1,822	2,277
Amortization of deferred grants related to fixed assets	8	1,106	6,003
Other		5,119	1,392
		12,517,434	11,574,264
Expenses			
Clinical services	12 and 13	5,264,849	5,318,883
Support services		2,252,111	2,031,834
Service costs – programs		3,211,729	2,402,395
Administration	12	826,610	760,361
Doubtful accounts		66,057	6,405
Amortization of fixed assets		17,117	26,768
		11,638,473	10,546,646
Excess of revenue over expenses		878,961	1,027,618

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, 2024

	2024			2023
	Invested in fixed assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	30,506	(2,029,333)	(1,998,827)	(3,026,445)
Excess (deficiency) of revenue over expenses	(14,189)	893,150	878,961	1,027,618
Interfund transfers	5,666	(5,666)	—	—
Balance, end of year	21,983	(1,141,849)	(1,119,866)	(1,998,827)

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, 2024

	Notes	2024	2023
		\$	\$
Assets			
Current assets			
Cash		—	31,307
Restricted cash	9	1,000,000	—
Guaranteed investment certificate, bearing interest at 5.20%, maturing in March 2025	9	18,000,000	—
Accounts receivable	3	369,427	639,172
Prepaid expenses		81,319	61,907
		19,450,746	732,386
Fixed assets			
	4	43,281	54,732
		19,494,027	787,118
Liabilities			
Current liabilities			
Bank indebtedness		144,419	—
Bank loan	5	65,000	365,000
Accounts payable and accrued liabilities	6	1,306,836	2,354,007
Deferred revenue		48,132	42,712
		1,564,387	2,761,719
Deferred grant	9	19,028,208	—
Deferred contributions related to fixed assets	7	7,288	9,110
Deferred grants related to fixed assets	8	14,010	15,116
		20,613,893	2,785,945
Commitments			
	11		
Net deficit			
Invested in fixed assets		21,983	30,506
Unrestricted		(1,141,849)	(2,029,333)
		(1,119,866)	(1,998,827)
		19,494,027	787,118

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, 2024

	Notes	2024	2023
		\$	\$
Operating activities			
Excess of revenue over expenses		878,961	1,027,618
Adjustments for:			
Amortization of deferred contributions related to fixed assets		(1,822)	(2,277)
Amortization of deferred grants related to fixed assets		(1,106)	(6,003)
Interest on guaranteed investment certificate		28,208	—
Amortization of fixed assets		17,117	26,768
		921,358	1,046,106
Changes in non-cash operating working capital items	10	(791,418)	(1,057,559)
		129,940	(11,453)
Investing activities			
Increase in restricted cash		(1,000,000)	—
Acquisition of fixed assets		(5,666)	—
Acquisition of a guaranteed investment certificate		(18,000,000)	—
		(19,005,666)	—
Financing activities			
Increase in bank loan		—	150,000
Repayment of bank loan		(300,000)	—
Deferred grant received		19,000,000	—
		18,700,000	150,000
Net (decrease) increase in cash and cash equivalents		(175,726)	138,547
Cash (bank indebtedness), beginning of year		31,307	(107,240)
Cash (bank indebtedness), end of year		(144,419)	31,307

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, 2024

1. Description of the business

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:

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 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 Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

2. Accounting policies (continued)

Financial instruments (continued)

Initial measurement (continued)

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.

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.

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

3. Accounts receivable

	2024	2023
	\$	\$
Private beds	148,932	108,053
Ministry of Community and Social Services of Ontario	—	31,143
Mouvement pour l'Intégration et la Réintégration en Emploi	13,395	1,624
Centre d'accueil le Programme de Portage Inc.	—	362,687
Les habitations communautaires Portage	21,068	12,735
Accrued interests	28,208	—
Consumer sales tax and other	157,824	154,068
	369,427	670,310
Allowance for doubtful accounts	—	(31,138)
	369,427	639,172

4. Fixed assets

	2024			2023
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Renovations – generator	22,996	8,432	14,564	15,714
Equipment – generator	152,150	152,150	—	—
Sewage treatment system	114,714	114,714	—	—
Leasehold improvements	173,056	160,558	12,498	13,885
Automotive equipment	49,092	49,092	—	—
Trailers	63,128	63,128	—	—
Furniture and equipment	205,811	194,627	11,184	13,980
Computer equipment	17,703	17,703	—	—
Accounting software	50,272	45,237	5,035	11,153
	848,922	805,641	43,281	54,732

5. Credit facility

The Organization is a division of The Portage Program for Drug Dependencies Inc. which 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 (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 \$65,000 (\$365,000 as at March 31, 2023).

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

6. Accounts payable and accrued liabilities

	2024	2023
	\$	\$
Suppliers	247,583	145,451
Accrued liabilities	209,681	169,007
Salaries and vacation payable	762,587	700,489
Government remittances	43,971	42,113
The Portage Foundation	—	1,230,219
Les habitations communautaires Portage II	43,014	66,728
	1,306,836	2,354,007

7. Deferred contributions related to fixed assets

	2024	2023
	\$	\$
Balance, beginning of year	9,110	11,387
Amortization of deferred contributions related to fixed assets	(1,822)	(2,277)
Balance, end of year	7,288	9,110

8. Deferred grants related to fixed assets

	2024	2023
	\$	\$
Balance, beginning of year	15,116	21,119
Amortization of deferred grants related to fixed assets	(1,106)	(6,003)
Balance, end of year	14,010	15,116

9. Deffered grant

During the year, the Corporation received a \$19,000,000 grant from the Minister of Health of New Brunswick to establish a new facility in New Brunswick to provide residential rehabilitation for drug dependencies. Interest generated from this grant shall be used exclusively to further the purposes of the facility. Of the \$19,000,000 grant received, \$1,000,000 is included in restricted cash and the remaining \$18,000,000 is invested in a guaranteed investment certificate.

	2024	2023
	\$	\$
Opening balance	—	—
Amount received during the year	19,000,000	—
Accrued interest	28,208	—
Ending balance	19,028,208	—

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

10. Additional information relating to the statement of cash flows

	2024	2023
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	269,745	75,863
Prepaid expenses	(19,412)	(9,247)
Accounts payable and accrued liabilities	(1,047,171)	(1,127,799)
Deferred revenue	5,420	3,624
	(791,418)	(1,057,559)

11. Commitments

The Corporation is committed to the Foundation under premises rental leases to pay a fixed amount of \$656,523 annually and an additional rent amount of \$471,942, over the next five years. In addition, the Corporation is committed under long-term leases to pay an amount of \$26,577, over three years, for the use of premises and vehicles. The commitments for the next years are as follows:

	\$
2025	765,492
2026	760,195
2027	753,625
2028	750,911
2029	750,911

12. 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 \$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.

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.

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

12. Related party transactions (continued)

Related party transactions (continued)

	2024	2023
	\$	\$
Revenue		
Centre d'accueil le Programme de Portage Inc.		
Management fees ⁽¹⁾	2,222,636	1,483,500
Interest ⁽²⁾	17,186	—
The Portage Foundation		
Management fees ⁽¹⁾	347,598	160,000
Donations (including \$1,822 of amortization of deferred contributions related to fixed assets; \$2,277 in 2023)	2,840,817	3,050,862
Expenses		
Centre d'accueil le Programme de Portage Inc.		
Private beds	7,091	78,529
Interest ⁽²⁾	—	10,524
The Portage Foundation		
Rent	753,046	744,253
Interest ⁽²⁾	36,514	26,981
Expenses charged to programs		
Centre d'accueil le Programme de Portage Inc.		
Clinical services ⁽³⁾	1,051,262	1,180,242
Administration ⁽³⁾	80,691	134,030

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.

13. 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 \$214,208 from April 1 to June 30, 2023, and \$676,210 from July 1, 2023 to March 31, 2024 (\$219,805 from April 1 to June 30, 2022, and \$636,545 from July 1, 2022, to March 31, 2023).

The Portage Program for Drug Dependencies Inc.

Notes to the financial statements

March 31, 2024

14. 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, 2024, the most significant liabilities are the 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 guaranteed investment certificate and the bank loan have a fixed interest rate. Therefore, a variation in interest rates on the market would have an impact on the fair value of these financial instruments.