Financial Statements of

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

And Independent Auditors' Report thereon

Year ended March 31, 2022

INDEPENDENT AUDITORS' REPORT

To the Superintendent of Private Career Colleges

and the Members of the Canadian Institute for Non-Destructive Evaluation

Opinion

We have audited the financial statements of Canadian Institute for Non-Destructive Evaluation (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of financial position of the Entity as at March 31, 2022, and its results of operations, its changes in fund balances 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. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

[date]

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Financial Position

March 31, 2022 with comparative information for 2021

		2022		2021
Assets				
Current assets:				
Cash	$	134,916	$	184,042
Portfolio investments (note 2)		360,560		921,262
Accounts receivable		48,170		97,806
Government remittance receivables		16,114		50,140
Inventory		7,901		9,497
Prepaid expenses		45,047		44,680
		612,708		1,307,427
Capital assets (note 3)		734,120		835,936
	$	1,346,828	$	2,143,363
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	59,022	$	282,260
Deferred revenue (note 4)		265,733		258,144
		324,755		540,404
Fund balances				
Unrestricted		(212,047)		267,023
Capital (note 5)		734,120		835,936
Internally restricted		500,000		500,000
		1,022,073		1,602,959
	$	1,346,828	$	2,143,363

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Revenue:				
Course fees:				
Vocational:				
Self-funded	$	50,370	$	36,338
Third-party funded		43,350		30,825
Non-vocational		893,651		1,005,029
Memberships		39,592		42,277
Journals		32,522		30,731
Books		12,988		16,138
Examinations fees		247,141		240,965
In-plant training		215,000		116,864
Practical workshops		150,050		165,100
Mohawk training		132,100		173,025
Conference		–		–
Donations		–		12,000
Other		76,024		59,265
		1,892,788		1,928,557
Expenses:				
Salaries and contract instructor fees		1,366,134		1,113,173
Instructional supplies and course overheads		243,287		268,760
Employee benefits		208,932		158,595
Travel		62,988		68,452
Facilities, space rental and utilities		118,704		116,327
Administration		100,586		96,437
Amortization		112,394		98,375
Point of sale charges		40,853		38,088
Journal		25,059		35,231
Insurance		33,707		30,944
Office supplies and printing		38,336		30,311
Advertising		38,842		22,751
In-plant training		27,302		15,143
Legal and audit		14,300		14,550
Books		3,834		2,463
Freight and express		7,943		8,016
Postage and telephone		639		862
Memberships		6,692		5,879
Equipment maintenance		2,035		1,809
Bad debts expense		62		–
		2,452,629		2,126,166
Deficiency of revenue over expenses before the undernoted		(559,841)		(197,609)
Other income (expense):				
Foreign exchange gain (loss)		(157)		265
Gain (loss) on disposal of capital assets		8,475		(4,325)
Unrealized gain (loss) on portfolio investments		(29,363)		120,354
		(21,045)		116,294
Deficiency of revenue over expenses	$	(580,886)	$	(81,315)

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Changes in Fund Balances

Year ended March 31, 2022, with comparative information for 2021

	Capital	Unrestricted	Internally restricted	2022 Total	2021 Total
Balance, beginning of year	$ 835,936	$ 267,023	$ 500,000	$ 1,602,959	$ 1,684,274
Deficiency of revenue over expenses	–	(580,886)	–	(580,886)	(81,315)
Change in capital	(101,816)	101,816	–	–	–
Balance, end of year	$ 734,120	$ (212,047)	$ 500,000	$ 1,022,073	$ 1,602,959

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (580,886)	$ (81,315)
Items not affecting cash		
Amortization	112,394	98,375
Loss (gain) on disposal of capital assets	(8,475)	4,325
Unrealized loss (gain) on portfolio investments	29,363	(120,354)
Change in non-cash operating working capital:		
Accounts receivable	49,636	1,332
Inventory	1,596	5,605
Prepaid expenses	(367)	7,795
Accounts payable and accrued liabilities	(223,238)	105,169
Government remittances	34,026	(14,739)
Deferred revenue	7,589	(47,074)
	(578,362)	(40,881)
Investing activities:		
Net change in investments	531,339	147,951
Purchase of capital assets	(22,103)	(159,616)
Proceeds on disposal of capital assets	20,000	–
	529,236	(11,665)
Net decrease in cash	(49,126)	(52,546)
Cash, beginning of year	184,042	236,588
Cash, end of year	$ 134,916	$ 184,042

See accompanying notes to financial statements.

The Canadian Institute for Non-Destructive Evaluation ("the Organization") is a non-profit charitable organization incorporated under the Canada Corporations Act, and is a registered charity under the Income Tax Act. In October, 2015, the Organization successfully obtained a Certificate of Continuance issued by Industry Canada under the Canada Not-for-profit Corporations Act. The Organization's Objectives are:

- To improve the quality of education in non-destructive evaluation, examination, inspection and/or testing (individually or collectively hereinafter referred to as "evaluation") throughout Canada.
- To promote the development of new techniques in non-destructive evaluation.
- To assist the Canadian industry in its use of non-destructive evaluation.
- To certify non-destructive evaluation personnel, conduct written and practical examinations on behalf of public and private agencies for the purpose of certification of non-destruction evaluation personnel.
- To receive gifts and donations to further the above objects.
- To invest and deal with the monies of the Corporation not immediately required in such manner as may from time to time be determined.

1. Significant accounting policies:

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

(a) Fund accounting:

The unrestricted fund accounts for the Organization's program delivery and administrative activities. The fund reports unrestricted resources.

The capital fund reports assets, liabilities, revenues and expenses related to capital assets and capital related activities.

The internally restricted fund was established by the Board of Directors to dedicate resources towards the capital expansion of a new facility. Funds available for transfer will be established by the Board on an annual basis.

(b) Use of estimates:

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Key components of the financial statements requiring management to make estimates are the provision for doubtful accounts in respect of receivables and the useful lives of long-lived assets. Actual results could differ from these estimates.

1. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Key components of the financial statements requiring management to make estimates are the provision for doubtful accounts in respect of receivables and the useful lives of long-lived assets. Actual results could differ from these estimates.

(d) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and other contributions.

Revenues are reflected in the accounts in the year in which the related services or delivery of goods is rendered. Donations are reflected in the accounts in the year in which the pledge is received. Course revenues are recognized upon commencement of course delivery. Course registrations received in advance of courses commencing are recognized as deferred revenue.

Interest and investment income earned on portfolio investments are included in other income on the statement of operations.

(e) Capital assets:

Purchased equipment, office equipment and software are recorded at cost. The Organization records its testing machinery and equipment at cost which, in the case of donated assets, is the fair market value placed upon the asset by the donor and agreed to by the management of the Organization.

Capital assets are amortized over their estimated useful lives using the declining-balance method at the rate of 10%, 20%, 30% and 50% respectively. Assets acquired under capital lease are amortized over the course of the lease using the straight-line method.

(f) Inventory:

Inventory consists primarily of tangible goods that are sold as marketing items. Items are valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at cost with exception to portfolio investments which are measured at fair value.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transactions costs related to 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 instruments 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 operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in operations an impairment loss, if any, when there are indicators of impairment and 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 is reversed to operations in the period the reversal occurs.

2. Portfolio investments:

As at March 31, the Organization holds the following investments:

	2022	2021
Cash and cash equivalents		
Cost	$ 2,254	$ 9,772
Market value	2,254	9,772
Corporate bonds		
Cost	120,979	227,807
Market value	138,794	247,785
Equity		
Cost	202,667	633,630
Market value	219,512	663,705
Total cost:	$ 325,900	$ 871,209
Total market value:	$ 360,560	$ 921,262

3. Capital assets:

	2022	2021
Equipment and software	$ 2,133,229	$ 2,143,824
Less: accumulated amortization	1,399,109	1,307,888
Total market value:	$ 734,120	$ 835,936

During the year ended March 31, 2022, the Organization disposed of equipment and software with a cost of $32,697 (2021 - $16,378) and accumulated amortization of $21,172 (2021 - $12,053) for proceeds of $20,000 (2021 - $Nil), resulting in a gain of $8,475 (2021 – loss of $4,325).

4. Deferred revenue:

Deferred revenue is made up of the following amounts:

	2022	2021
Conference	$ 135,023	$ 77,058
Practical exams	32,375	51,575
Non-vocational	43,475	51,439
Workshops	30,300	42,750
Vocational – self-funded	1,990	22,500
Written exams	5,435	6,322
Vocational – third party-funded	13,930	4,500
Membership	3,205	2,000
	$ 265,733	$ 258,144

5. Capital fund:

Change in net assets invested in capital assets is calculated as follows:

	2022	2021
Purchased and donated capital assets	$ 22,103	$ 159,616
Gain (loss) on disposal of capital assets	8,475	(4,325)
Proceeds on disposal of capital assets	(20,000)	–
Amortization	(112,394)	(98,375)
	$ (101,816)	$ 56,916

6. Financial risk and concentration of credit risk:

The Organization is subject to the following risks due to its financial instruments:

(a) Credit risk:

Credit risk arises from the potential that the counterparty will fail to perform its obligations. The Organization is exposed to credit risk from customers. However, the Organization's business has a significant number of diverse customers, which reduces the concentration of credit risk. The allowance for doubtful accounts at March 31, 2022 is $100 (2021 - $Nil).

(b) Interest risk:

Interest rate risk is the risk to the Organization's excess of revenues over expenses that arises from fluctuations in interest rates and the degree of volatility of these rates. The Organization does not use derivative instruments to reduce its exposure to interest rate.

(c) Liquidity risk:

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from its activities to meet its requirements. As at March 31, 2022 the most significant financial liabilities are accounts payable and accrued liabilities, and government remittances payable.

(d) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization has cash denominated in U.S dollars. The Organization does not currently enter into forward contracts to mitigate this risk.

(e) Market Price risk:

The Organization is exposed to market price risk as it pertains to the various portfolio investments it holds, which comprise approximately 43% of its total asset balance. The risk is managed through use of a mix of investment types and oversight by the Organization includes the use of an investment policy.