Financial Statements of

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

And Independent Auditor's Report thereon

Year ended March 31, 2023

INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

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 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 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 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
May xx, 2023

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Financial Position

March 31, 2023 with comparative information for 2022

	2023	2022
Assets		
Current assets: Cash	$ 255,723	$ 134,916
Portfolio investments (note 2)	254,074	360,560
Accounts receivable	43,086	48,170
Government remittance receivables	12,508	16,114
Inventory	2,806	7,901
Prepaid expenses	32,920	45,047
	601,117	612,708
Capital assets (note 3)	560,299	734,120
	$ 1,161,416	$ 1,346,828
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 56,609	$ 59,022
Deferred revenue (note 4)	260,136	265,733
	316,745	324,755
Fund balances		
Unrestricted	(215,628)	(212,047)
Capital (note 5)	560,299	734,120
Internally restricted	500,000	500,000
	844,671	1,022,073
	$ 1,161,416	$ 1,346,828

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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Course fees:		
Vocational:		
Self-funded	$ 199	$ 50,370
Third-party funded	79,202	43,350
Non-vocational	1,015,823	893,651
Memberships	40,048	39,592
Journals	38,517	32,522
Books	15,056	12,988
Examinations fees	259,245	247,141
In-plant training	228,950	215,000
Practical workshops	163,515	150,050
Mohawk training	118,275	132,100
Conference	159,638	–
Other	75,474	76,024
	2,193,942	1,892,788
Expenses:		
Salaries and contract instructor fees	1,272,108	1,366,134
Instructional supplies and course overheads	212,272	243,287
Employee benefits	205,428	208,932
Facilities, space rental and utilities	120,501	118,704
Amortization	91,524	112,394
Conference	78,110	–
Travel	71,042	62,988
Administration	67,944	100,586
Advertising	47,359	38,842
Point of sale charges	43,620	40,853
Journal	39,118	25,059
Insurance	36,874	33,707
In-plant training	29,112	27,302
Office supplies and printing	25,377	38,336
Books	11,139	3,834
Legal and audit	8,638	14,300
Freight and express	6,798	7,943
Memberships	3,929	6,692
Postage and telephone	568	639
Equipment maintenance	447	2,035
Bad debts expense	35	62
	2,371,943	2,452,629
Deficiency of revenue over expenses before the undernoted	(178,001)	(559,841)
Other income (expense):		
Foreign exchange gain (loss)	2,865	(157)
Gain on disposal of capital assets	22,308	8,475
Unrealized loss on portfolio investments	(24,574)	(29,363)
Deficiency of revenue over expenses	$ (177,402)	$ (580,886)

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Unrestricted	Internally restricted	2023 Total	2022 Total
Balance, beginning of year	$ 734,120	$ (212,047)	$ 500,000	$ 1,022,073	$ 1,602,959
Deficiency of revenue over expenses	–	(177,402)	–	(177,402)	(580,886)
Change in invested in capital assets	(173,821)	173,821	–	–	–
Balance, end of year	$ 560,299	$ (215,628)	$ 500,000	$ 844,671	$ 1,022,073

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (177,402)	$ (580,886)
Items not affecting cash		
Amortization	91,524	112,394
Loss on disposal of capital assets	(22,308)	(8,475)
Unrealized loss on portfolio investments	24,574	29,363
Change in non-cash operating working capital:		
Accounts receivable	5,084	49,636
Inventory	3,606	1,596
Prepaid expenses	5,095	(367)
Accounts payable and accrued liabilities	12,128	(223,238)
Government remittances	(2,413)	34,026
Deferred revenue	(5,597)	7,589
	(65,709)	(578,362)
Investing activities:		
Net change in investments	81,911	531,339
Purchase of capital assets	(39,180)	(22,103)
Proceeds from sale of capital assets	143,785	20,000
	186,516	529,236
Increase (decrease) in cash	120,807	(49,126)
Cash, beginning of year	134,916	184,042
Cash, end of year	$ 225,723	$ 134,916

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.

1. Significant accounting policies (continued):

(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.

(c) 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.

(d) 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%, 30% and 50% respectively. Assets acquired under capital lease are amortized over the course of the lease using the straight-line method.

(e) 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):

(f) 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:

	2023	2022
Cash & Cash Equivalents		
Cost	$ 10,470	$ 2,254
Market	10,470	2,254
Corporate Bonds		
Cost	114,075	120,979
Market Value	122,218	138,794
Equity		
Cost	118,600	202,667
Market Value	121,386	219,512
Total Cost	$ 243,145	$ 325,900
Total Market Value	$ 254,074	$ 360,560

3. Capital assets:

	2023	2022
Equipment and software	$ 1,805,304	$ 2,133,235
Less: accumulated amortization	(1,245,005)	(1,399,115)
	$ 560,299	$ 734,120

During the year ended March 31, 2023, the Organization disposed of equipment and software with a cost of $367,105 (2022 - $32,697) and accumulated amortization of $245,628 (2022 - $11,525) for proceeds of $143,785 (2022 - $20,000), resulting in a gain of $22,308 (2022 - $8,475).

4. Deferred revenue:

Deferred revenue is made up of the following amounts:

	2023	2022
Conference	$ 100,150	$ 135,023
Practice exams	34,250	32,375
Non-vocational	79,300	43,475
Workshops	33,200	30,300
Vocational – self-funded	–	1,990
Other exams	2,211	5,435
Vocational – third party-funded	7,960	13,930
Membership	3,065	3,205
	$ 260,136	$ 265,733

5. Capital fund:

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

	2023	2022
Purchased and donated capital assets	$ 39,180	$ 65,263
Gain on disposal of capital assets	22,308	8,475
Proceeds on disposal of capital assets	(143,785)	(20,000)
Amortization	(91,524)	(114,606)
	$ (173,821)	$ (60,868)

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, 2023 is $nil (2022 - $100).

(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, 2023, 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.