Financial Statements of

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

And Independent Auditors' Report thereon

Year ended March 31, 2020

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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, 2020
- 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, 2020, and its results of 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. 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
July 8, 2020

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Financial Position

March 31, 2020 with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 236,588	$ 143,325
Portfolio investments (note 2)	948,859	1,004,563
Accounts receivable	99,138	107,172
Government remittance receivables	35,401	66,059
Inventory	15,102	14,260
Prepaid expenses	52,475	26,240
	1,387,563	1,361,619
Capital assets (note 3)	779,020	704,680
	$ 2,166,583	$2,066,299
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 177,091	$ 115,178
Deferred revenue (note 4)	305,218	276,973
	482,309	392,151
Fund balances		
Unrestricted	405,254	469,468
Capital (note 5)	779,020	704,680
Internally restricted	500,000	500,000
	1,684,274	1,674,148
Subsequent event (note 7)		
	$2,166,583	$2,066,299

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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Course fees:		
Vocational:		
Self-funded	$ 69,638	$ 78,525
Third-party funded	52,425	58,725
Non-vocational	986,192	759,193
Memberships	51,245	53,930
Journals	35,008	53,923
Books	26,104	31,617
Examinations fees	313,017	206,106
In-plant training	326,650	85,455
Practical workshops	220,960	136,822
Mohawk training	173,050	194,500
Conference	177,560	154,230
Other	79,279	119,931
	2,511,128	1,932,957
Expenses:		
Salaries and contract instructor fees	1,226,006	1,091,854
Instructional supplies and course overheads	244,371	189,075
Employee benefits	161,680	134,915
Conference	96,514	91,264
Travel	127,335	120,808
Facilities, space rental and utilities	106,007	107,393
Administration	88,243	78,027
Amortization	87,306	72,220
Point of sale charges	51,850	48,793
Journal	42,859	43,888
Insurance	29,284	28,166
Office supplies and printing	27,676	26,388
Advertising	35,415	29,785
In-plant training	35,207	7,369
Legal and audit	14,258	13,500
Books	7,342	5,483
Freight and express	8,056	10,112
Postage and telephone	346	1,658
Memberships	4,937	5,118
Equipment maintenance	10,962	3,162
Bad debts (recovery) expense	(260)	(720)
	2,405,394	2,108,258
Excess (deficiency) of revenue over expenses before the undernoted	105,734	(175,301)
Other income (expense):		
Foreign exchange gain	4,200	7,093
Loss on disposal of capital assets	(766)	-
Unrealized loss on portfolio investments	(99,042)	(70,258)
Deficiency of revenue over expenses	$ 10,126	$ (238,466)

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	Capital	Unrestricted	Internally restricted	2020 Total	2019 Total
Balance, beginning of year	$ 704,680	$ 469,468	$ 500,000	$ 1,674,148	$ 1,912,614
Excess (deficiency) of revenue over expenses	-	10,126	-	10,126	(238,466)
Change in invested in capital assets	74,340	(74,340)	-	-	-
Balance, end of year	$ 779,020	$ 405,254	$ 500,000	$ 1,684,274	$ 1,674,148

See accompanying notes to financial statements.

CANADIAN INSTITUTE FOR NON-DESTRUCTIVE EVALUATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 10,126	$ (238,466)
Items not affecting cash		
Amortization	87,306	72,220
Loss on disposal of capital assets	766	-
Unrealized loss on portfolio investments	99,042	70,258
Change in non-cash operating working capital:		
Accounts receivable	8,034	(22,348)
Inventory	(842)	9,937
Prepaid expenses	(26,235)	2,225
Accounts payable and accrued liabilities	61,913	23,101
Government remittances	30,658	(83,253)
Deferred revenue	28,245	80,016
	299,013	(86,310)
Investing activities:		
Net change in investments	(43,338)	440,125
Purchase of capital assets	(162,412)	(281,224)
	(205,750)	158,901
Net increase in cash	93,263	72,591
Cash, beginning of year	143,325	70,734
Cash, end of year	$ 236,588	$ 143,325

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:

	2020	2019
Cash & Cash Equivalents		
Cost	$ 185,244	$ 88,202
Market Value	185,244	91,952
Corporate Bonds		
Cost	208,172	260,768
Market Value	201,723	264,030
Equity		
Cost	652,936	664,022
Market Value	561,892	648,581
Total Cost:	$ 1,046,352	$ 1,012,992
Total Market Value:	$ 948,859	$ 1,004,563

3. Capital assets:

	2020	2019
Equipment and software	$ 2,000,586	$ 1,841,230
Less: accumulated amortization	1,221,566	1,136,550
	$ 779,020	$ 704,680

4. Deferred revenue:

Deferred revenue is made up of the following amounts:

	2020	2019
Conference	$ 89,908	$ 132,914
Workshops	74,175	29,010
Practical exams	72,900	29,425
Non-vocational	49,595	35,915
Vocational – third party-funded	9,000	19,840
Written exams	5,120	2,686
Membership	2,270	3,320
Vocational – self-funded	2,250	11,363
In-plant training	-	12,500
	$ 305,218	$ 276,973

5. Capital fund:

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

	2020	2019
Purchased and donated capital assets	$ 162,412	$ 281,224
Loss on disposal of capital assets	(766)	-
Amortization	(87,306)	(72,220)
	$ 74,340	$ 209,004

6. Financial risk and concentration of credit risk:

(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. There has been no change to the risk exposure from 2019. The allowance for doubtful accounts at March 31, 2020 is $152 (2019 - $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. There has been no change to the risk exposure from 2019.

(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, 2020 the most significant financial liabilities are accounts payable and accrued liabilities, and government remittances payable. There has been no change to the risk exposure from 2019.

(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. There has been no change to the risk exposure from 2019.

(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 44% 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. There has been no change to the risk exposure from 2019.

7. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Subsequent to year end, several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Deferral of services provided by the Entity on or after March 16, 2020 until further notice
- Mandatory working from home requirements

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.