

Mohawk College Enterprise Corporation
Financial Statements
For the year ended March 31, 2023

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Independent Auditor's Report

To the Shareholder of Mohawk College Enterprise Corporation

Opinion

We have audited the financial statements of Mohawk College Enterprise Corporation (the "Corporation"), which comprise the balance sheet as at March 31, 2023, and the statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 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 - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Corporation to meet the internal reporting requirements of its shareholder, Mohawk College of Applied Arts and Technology. As a result, the financial statements may not be suitable for another purpose. 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 these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Independent Auditor's Report (Continued)

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 these 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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
June 14, 2023

**Mohawk College Enterprise Corporation
Balance Sheet**

March 31 **2023** **2022**

Assets

Current

Cash	\$	589,112	\$	376,986
Accounts receivable (Note 4)		475,624		207,584
Prepaid expenses		23,635		22,488
		1,088,371		607,058

Equipment (Note 2)		5,564		3,077
		1,093,935		610,135

Liabilities and Shareholder's Equity

Current

Accounts payable and accrued liabilities (Notes 3 and 4)	\$	314,030	\$	137,667
Deferred revenue		295,774		247,739
		609,804		385,406

Shareholder's equity

Share capital (Note 5)		100		100
Retained earnings		484,031		224,629
		484,131		224,729
		1,093,935		610,135

On behalf of the Board:


 _____ President and CEO

 _____ Board Chair

Mohawk College Enterprise Corporation Statement of Operations and Retained Earnings

For the year ended March 31	2023	2022
Program revenue	\$ 1,896,648	\$ 1,612,433
Cost of programs	599,773	564,955
Gross margin	1,296,875	1,047,478
Other expenses	-	(6,812)
Gross income from operations	1,296,875	1,040,666
Expenses		
Salaries and benefits	776,400	552,872
Professional fees and contracts	109,373	137,959
Office and general	67,341	29,625
Advertising and promotion	12,030	10,595
Merchant fees	6,066	10,450
Telephone	2,303	8,064
Amortization of equipment	2,971	7,145
Rent	8,056	-
	984,540	756,710
Net income before other expenses	312,335	283,956
Other expenses		
Royalty expense (Note 4)	37,933	32,249
Facility charges (Note 4)	15,000	15,000
	52,933	47,249
Net income for the year	259,402	236,707
Retained earnings (deficit), beginning of year	224,629	(12,078)
Retained earnings, end of year	\$ 484,031	\$ 224,629

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

Mohawk College Enterprise Corporation Statement of Cash Flows

For the year ended March 31	2023	2022
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 259,402	\$ 236,707
Adjustments required to reconcile net income to net cash provided by operating activities		
Amortization	2,971	7,145
Loss on disposal of intangible assets	-	6,812
Changes in non-cash working capital balances		
Accounts receivable	(268,041)	(71,170)
Prepaid expenses	(1,147)	(12,439)
Accounts payable and accrued liabilities	176,363	(11,935)
Deferred revenue	48,035	(17,110)
	217,583	138,010
Investing activity		
Purchase of equipment	(5,457)	(1,641)
Increase in cash during the year	212,126	136,369
Cash, beginning of year	376,986	240,617
Cash, end of year	\$ 589,112	\$ 376,986

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

Mohawk College Enterprise Corporation

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature of Operations

Mohawk College Enterprise Corporation (the "Corporation") is a private company incorporated under the laws of Ontario on April 1, 2010 and is engaged in the business of providing corporate training programs and consulting projects for and on behalf of businesses and industries.

Basis of Accounting

As a government business enterprise, Canadian public sector accounting standards require the Corporation to adhere to the standards applicable in the CPA Canada Handbook - Accounting. Accordingly the Corporation is required under Canadian generally accepted accounting principles to prepare its financial statements using International Financial Reporting Standards. Management has determined that the internal reporting needs of the Corporation and its shareholder, Mohawk College of Applied Arts and Technology ("Mohawk College"), are met through the use of Canadian accounting standards for private enterprises, and, therefore, the financial statements have been prepared in accordance with that framework. Since Canadian accounting standards for private enterprises is not designed to necessarily meet the needs of all users of the financial statements of a government business enterprise, the readers of these financial statements may require additional information.

Revenue Recognition

Revenue from sales is recognized when the service has been performed, and collectability is reasonably assured. Deferred revenue represents revenue received in advance of services being provided.

Equipment

Equipment is stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the asset are capitalized. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer hardware	3 years straight-line
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Income Taxes

The Corporation is exempt of income tax under the Income Tax Act (Canada) as a wholly owned subsidiary of Mohawk College.

Mohawk College Enterprise Corporation Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (Continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The amounts recorded for allowance for doubtful accounts is based on management's best estimate. Actual results could differ from those estimates and may have an impact on future periods.

2. Equipment

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 23,667	\$ 18,103	\$ 18,209	\$ 15,132
Net book value		\$ 5,564		\$ 3,077

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$28,967 (2022 - \$52,641).

Mohawk College Enterprise Corporation Notes to Financial Statements

March 31, 2023

4. Related Party Balances and Transactions

Mohawk College is the registered holder of all the issued and outstanding shares of the Corporation.

The following amounts are included at year end:

	<u>2023</u>	<u>2022</u>
Amounts receivable from Mohawk College	\$ 5,921	\$ 29,314
Prepaid expenses	-	10,000
Accounts payable to Mohawk College	76,961	26,315

The following table summarizes the Corporation's transactions with Mohawk College for the year:

	<u>2023</u>	<u>2022</u>
Program revenue	\$ 84,510	\$ 152,955
Program delivery (included in cost of programs):		
Rent expense	17,989	15,480
Other administrative expenses	41,267	16,361
Non-program:		
Administrative expenses (included in professional fees and contracts)	17,272	16,362
Facility charges:		
Rent expense	8,056	-
Information technology expense	15,000	15,000
Royalty expense	37,933	32,249

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed upon by the related parties.

In accordance with the Operating Agreement between the Corporation and Mohawk College, the Corporation must pay a royalty fee of 2% of program revenues. The Operating Agreement also states that the Corporation may declare a dividend at any time to be paid to the College. There was no dividend declared in the current year.

5. Share Capital

	<u>2023</u>	<u>2022</u>
Authorized:		
Unlimited number of common shares		
Issued:		
100 common shares	\$ 100	\$ 100

Mohawk College Enterprise Corporation Notes to Financial Statements

March 31, 2023

6. Financial Instrument Risks

Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. The credit risk on cash is minimized as cash is held at highly rated Canadian banks.

Liquidity Risk

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

7. Significant Customers

Approximately 15.3% (2022 - 24%) of the Corporation's revenue is derived from two customer (2022 - two customers) Framatone Canada Ltd. 10.9% (2022 - 14%).