Financial Statements of

MOHAWK COLLEGE ENTERPRISE CORPORATION

And Independent Auditors' Report thereon

Year ended March 31, 2021

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INDEPENDENT AUDITORS' 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, 2021
- the statement of earnings and deficit 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 financial position of the Corporation as at March 31, 2021 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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.

Other Matter - Restriction on Use

Without modifying our opinion, 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 with its internal reporting to its shareholder, Mohawk College of Applied Arts and Technology and to assist the Corporation to prepare its corporate income tax returns. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Corporation and Mohawk College of Applied Arts and Technology and for federal and provincial income tax authorities and should not be used by any other parties.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 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 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 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
- 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

June 15, 2021

MOHAWK COLLEGE ENTERPRISE CORPORATION

Balance Sheet

March 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash	$	240,617	$	205,755
Trade receivable (notes 2 and 6)		136,414		162,459
Prepaid expenses		10,049		10,783
		387,080		378,997
Equipment (note 3)		4,046		7,644
Intangible assets (note 4)		11,347		17,394
	$	402,473	$	404,035
Liabilities and Shareholder's Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities (notes 5 and 6)	$	149,602	$	228,367
Deferred revenue (note 6)		264,849		253,596
		414,451		481,963
Shareholder's deficiency:				
Share capital (note 7)		100		100
Deficit		(12,078)		(78,028)
		(11,978)		(77,928)
Economic dependence (note 9)				
Impact of COVID-19 (note 10)				
	$	402,473	$	404,035

See accompanying notes to the financial statements.

Signed on behalf of the Board:

____________________ President & CEO June 15, 2021

____________________ Board Chair June 15, 2021

MOHAWK COLLEGE ENTERPRISE CORPORATION

Statement of Earnings and Deficit

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Program revenue	$ 1,084,896	$ 1,925,039
Cost of programs	381,512	858,845
Gross margin	703,384	1,066,194
Other income	23,500	3,339
Gross earnings from operations	726,884	1,069,533
Expenses:		
Salaries and benefits	488,851	871,468
Professional fees and contracts	91,671	73,399
Office	7,005	29,960
Advertising and promotion	9,843	26,294
Merchant fees	11,072	13,473
Travel	16	11,267
Amortization	9,645	9,645
Telephone	6,133	8,165
Meals and entertainment	-	754
	624,236	1,044,425
Earnings before the undernoted items	102,648	25,108
Other expenses:		
Royalty expense (note 6)	21,698	38,501
Facility charges (note 6)	15,000	32,000
	36,698	70,501
Net income (loss)	65,950	(45,393)
Deficit, beginning of year	(78,028)	(32,635)
Deficit, end of year	$ (12,078)	$ (78,028)

See accompanying notes to the financial statements.

MOHAWK COLLEGE ENTERPRISE CORPORATION
Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income (loss)	$ 65,950	$ (45,393)
Item not involving cash:		
Amortization	9,645	9,645
Changes in non-cash operating working capital:		
Accounts receivable	26,045	197,518
Prepaid expenses	734	4,439
Accounts payable and accrued liabilities	(78,765)	(160,972)
Deferred revenue (note 6)	11,253	3,011
	34,862	8,248
Investing:		
Purchase of equipment	-	(6,254)
Increase in cash	34,862	1,994
Cash, beginning of year	205,755	203,761
Cash, end of year	$ 240,617	$ 205,755

See accompanying notes to the financial statements.

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.

1. Significant accounting policies:

(a) 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.

(b) 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.

(c) Computer equipment:

Computer equipment is amortized over the useful life of the asset. The carrying amount is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset’s carrying amount is not recoverable and exceeds its fair value.

1. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets are comprised of website design costs and are initially recognized and measured at cost. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Corporation's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Corporation's intention to complete the asset for use or for sale; the Corporation's ability to use or sell the asset; the adequacy of the Corporation's resources to complete the development; the Corporation's ability to measure reliably the expenditures during the development; and the Corporation's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized over their useful lives unless the life is determined to be indefinite. The carrying value of an intangible asset which is subject to amortization is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Impairment losses are not subsequently reversed.

(e) Income taxes:

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

(f) Related party transactions:

Monetary and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a product or property held-for-sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements in conformity 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 year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Trade receivable:

	2021	2020
Accounts receivable	$ 136,414	$ 162,459
Less: allowance for doubtful accounts	-	-
	$ 136,414	$ 162,459

3. Equipment:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer	$ 16,568	$ 12,522	$ 4,046	$ 7,644

4. Intangible assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Website	$ 30,234	$ 18,887	$ 11,347	$ 17,394

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $49,199 (2020 - $47,479).

6. Related party 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:

		2021		2020
Accounts receivable from Mohawk College	$	20,737	$	35,830
Prepaid expenses		788		-
Accounts payable to Mohawk College		29,346		107,850
Deferred revenue		-		730

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

		2021		2020
Program revenue	$	122,923	$	230,563
Program delivery:				
Rent expense		(12,465)		(12,975)
Other administrative expenses		(10,489)		(31,546)
Non-program:				
Administrative expenses		(16,280)		(20,403)
Facility charges:				
Rent expense		-		(17,000)
Information technology expense		(15,000)		(15,000)
Royalty expense		(21,698)		(38,501)

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.

6. Related party transactions (continued):

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.

7. Share capital:

	2021	2020
Authorized:		
Unlimited number of common shares		
Issued:		
100 common shares	$ 100	$ 100

8. Financial risks and concentration of risk:

(a) 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. This risk has not changed from the previous year.

(b) 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. The risk has not changed from the previous year.

8. Financial risks and concentration of risk (continued):

(c) Currency risk:

The Corporation 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 Corporation purchases certain training services in U.S. dollars. The Corporation does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from the previous year.

9. Economic dependence:

Approximately 23% of the Corporation's revenue is derived from three customers (2020 - 29%). The largest customer represents 11% (2020 - 12%) of revenue which is Mohawk College.

10. Impact of COVID-19:

The COVID-19 pandemic continues to result in on-going government intervention and assistance, lockdown measures and safety protocols that are continuing to impact business in Canada and globally. The Corporation is not able to take advantage of the Federal Government's CEWS program and continues to monitor the situation to ensure business and operations can continue. The COVID-19 pandemic has resulted in decline in revenues, but the Corporation has managed to reduce its expenses in kind and has continued to provide its training curriculums to its customers moving some if its programs online. The Corporation will continue to monitor and adhere to Federal, Provincial and local guidelines. The Corporation continues to monitor its liquidity requirements and manage its collection of accounts receivable to mitigate credit risk on the Corporation's accounts receivable.