# E-QUALITY COMMUNICATION CENTRE OF EXCELLENCE INC.

## FINANCIAL STATEMENTS

## MARCH 31, 2023

# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of**
**E-Quality Communication Centre of Excellence Inc.:**

*Opinion*
We have audited the financial statements of E-Quality Communication Centre of Excellence Inc. (the Centre), which comprise the statement of financial position as at March 31, 2023, and the statement of operations, statement of changes in net assets and statement of 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 Centre as at March 31, 2023, and its financial performance 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 report. We are independent of the Centre 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.

*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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 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 Centre'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 Centre'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 Centre 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.

Scarrow & Donald LLP

Chartered Professional Accountants
July 7, 2023
Winnipeg, Canada

## E-QUALITY COMMUNICATION CENTRE OF EXCELLENCE INC

## STATEMENT OF FINANCIAL POSITION

| | March 31 2023 | March 31 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash (Note 5) | $ 101,691 | $ 11,257 |
| Short term investments (Note 10) | 61,084 | 60,420 |
| Accounts receivable | 122,929 | 151,791 |
| Prepaid expenses and deposits | 5,316 | 5,056 |
| | 291,020 | 228,524 |
| **Capital assets** (Note 4) | 29,142 | 32,618 |
| | $ 320,162 | $ 261,142 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 14,330 | $ 14,330 |
| Accrued liabilities | 30,908 | 40,898 |
| Government remittances | 2,377 | 1,108 |
| | 47,615 | 56,336 |
| **Canada Emergency Business Account loan** (Note 9) | 40,000 | 40,000 |
| **Deferred contributions** (Note 6) | 2,249 | 3,213 |
| | 89,864 | 99,549 |
| **Net assets:** | | |
| Capital assets | 26,893 | 29,405 |
| Internally restricted (Note 13) | 30,000 | - |
| Unrestricted | 173,405 | 132,188 |
| | 230,298 | 161,593 |
| | $ 320,162 | $ 261,142 |

**APPROVED BY THE BOARD:**

Sherrose Augustyn

______________________________ **Director** ______________________________ **Director**

## E-QUALITY COMMUNICATION CENTRE OF EXCELLENCE INC.

## STATEMENT OF OPERATIONS

| | | Year ended March 31 | |
|---|---|---|---|
| | | 2023 | 2022 |
| **Revenue:** | | | |
| Fee for service | $ | 859,141 | 680,910 |
| Operating grants (Note 7) | | 152,700 | 152,700 |
| Other grants | | 30,195 | - |
| Consultation and training | | 33,826 | 53,797 |
| Donations and fundraising | | 1,055 | 100,565 |
| Winnipeg Foundation | | - | 40,000 |
| Canada Emergency Rent Subsidy | | - | 1,573 |
| Canada Emergency Wage Subsidy | | - | 35,100 |
| Canada Emergency Business Account (Note 9) | | - | 10,000 |
| Canada Summer Jobs grant | | 2,405 | - |
| Deferred contributions related to: | | | |
| - capital assets | | 964 | 1,377 |
| Interest | | 1,039 | 602 |
| | | 1,081,325 | 1,076,624 |
| **Expenses:** | | | |
| Personnel costs- | | | |
| Salaries | | 562,055 | 519,986 |
| Employee benefits | | 65,926 | 81,179 |
| Freelance interpreters | | 249,963 | 248,912 |
| | | 877,944 | 850,077 |
| Operating costs- | | | |
| Amortization of equipment | | 10,899 | 11,460 |
| Bank charges and interest | | 3,408 | 4,325 |
| Bad debts | | 2,037 | 1,373 |
| Contributions to RCMDB | | - | 13,500 |
| Insurance | | 4,396 | 4,391 |
| Marketing | | 1,535 | 560 |
| Office | | 12,273 | 15,863 |
| Professional fees | | 17,679 | 17,229 |
| Professional development | | 4,774 | 2,136 |
| Rent | | 18,543 | 18,139 |
| Telephone and internet | | 32,408 | 37,117 |
| Transportation | | 26,724 | 9,878 |
| | | 1,012,620 | 986,048 |
| **Difference between revenue and expenses** | $ | 68,705 | $ 90,576 |

**E-QUALITY COMMUNICATION CENTRE OF EXCELLENCE INC.**

**STATEMENT OF CHANGES IN NET ASSETS**

| | Capital Assets | Internally Restricted | Unrestricted | Year ended March 31 2023 | Year ended March 31 2022 |
|---|---|---|---|---|---|
| **Balance, beginning of year** | $ 29,405 | $ - | $ 132,188 | $ 161,593 | $ 71,017 |
| **Purchase of capital assets** | 7,423 | | (7,423) | - | - |
| **Interfund transfers (Note 13)** | - | 30,000 | (30,000) | - | - |
| **Difference between revenue and expenses** | (9,935) | - | 78,640 | 68,705 | 90,576 |
| **Balance, end of year** | $ 26,893 | $ 30,000 | $ 173,405 | $ 230,298 | $ 161,593 |

**E-QUALITY COMMUNICATION CENTRE OF EXCELLENCE INC.**

**STATEMENT OF CASH FLOWS**

| | Year ended March 31 | |
|---|---|---|
| | **2023** | **2022** |
| **Cash provided by (used in):** | | |
| Operating activities- | | |
| Cash received from Province of Manitoba | $ 152,700 | $ 152,700 |
| Cash received from customers and other grants | 953,063 | 706,694 |
| Cash received from donations and fundraising | 3,460 | 140,565 |
| Cash received from Government for COVID 19 support | - | 46,673 |
| Interest paid | (3,408) | (4,325) |
| Cash paid to suppliers and employees | (1,007,294) | (1,028,301) |
| | 98,521 | 14,006 |
| Investing activities- | | |
| Purchase of capital assets | (7,423) | (5,881) |
| Change in short term investments | (664) | (30,420) |
| | (8,087) | (36,301) |
| Financing activities- | | |
| Canada Emergency Business Account Loan | - | 10,000 |
| | - | 10,000 |
| **Change in cash** | 90,434 | (12,295) |
| **Cash, beginning of year** | 11,257 | 23,552 |
| **Cash, end of year** | $ 101,691 | $ 11,257 |

**1. General:**

The primary purpose of E-Quality Communication Centre of Excellence Inc. is to promote and provide professional, independent interpreting services of a high caliber which meet the needs of consumers throughout Manitoba. E-Quality Communication Centre of Excellence Inc. is incorporated as a not-for-profit Centre and is a registered charity under the Income Tax Act.

**2. Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measure at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Centre may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

2. **Significant accounting policies** (continued)**:**

b) Financial instruments (continued)-

The Centre measures cash, short-term investments, accounts receivable, accounts payable, accrued liabilities, and Canadian Emergency Business Account loan at amortized cost. Short term investments in the form of guaranteed investment certificates are measured at fair value.

The Centre assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

c) Revenue recognition-

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Fee for Service and Consulting and Training are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

d) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset no longer is impaired, the excess of its carrying amount over the asset’s fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized over the useful life of the asset as follows:

| | |
|---|---|
| Office equipment | 30% |
| Computer equipment and software | 30% |
| Website | 30% |
| Leasehold improvements | straight line over 5 years |

e) Net assets-

Total net assets represent the Centre's residual interest in its assets after deducting its liabilities. The net assets balance therefore provides information about the net resources the Centre has available for carrying out its service delivery activities in the future. The statement of changes in net assets shows the extent to which the Centre's operations and other revenues, expenses, gains, and losses that have not been included in the statement of operations have resulted in an accumulation or depletion of net assets.

3. **Endowment fund:**

The Winnipeg Foundation manages an endowment fund named the "E-Quality Communication Centre of Excellence Fund" for the Centre. The Centre will receive investment income from the equity in the Endowment Fund.

Under Canadian accounting standards for not-for-profit organizations the Fund does not meet the criteria of an asset and therefore is not recorded on the statement of financial position.

## 4. Capital assets:

| | March 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Office equipment | $ 86,243 | $ 81,781 | $ 89,866 | $ 80,352 |
| Computer hardware and software | 131,376 | 110,390 | 120,330 | 102,501 |
| Website | 31,602 | 27,908 | 31,602 | 26,327 |
| Leasehold improvements | 9,870 | 9,870 | 9,870 | 9,870 |
| | $ 259,091 | $ 229,949 | $ 251,668 | $ 219,050 |
| Net book value | $ 29,142 | | $ 32,618 | |

## 5. Cash:

| | March 31 2023 | March 31 2022 |
|---|---|---|
| Bank balance | $ 116,878 | $ 36,415 |
| Add: Outstanding deposits | 1,759 | 578 |
| Less: Outstanding cheques | (16,946) | (25,736) |
| | $ 101,691 | $ 11,257 |

The Centre has an approved unsecured overdraft in the amount of $80,000 (2022 - $80,000) of which $nil (2022 - $nil) has been drawn down. The overdraft is renewed on an annual basis.

The overdraft bears interest at prime plus 2.25% (2022 - prime plus 2.25%).

## 6. Deferred contributions:

Deferred contributions related to capital assets relate to amounts externally restricted for the purchase of equipment and renovations.

| | March 31 | |
|---|---|---|
| | **2023** | **2022** |
| Beginning of year | $ 3,213 | $ 16,777 |
| Amounts reclassified to payables | - | (12,187) |
| Amounts recognized as revenue | (964) | (1,377) |
| End of year | $ 2,249 | $ 3,213 |

## 7. Operating grants:

The Province of Manitoba (Department of Families) provided $152,700 (2022 - $152,700) which is restricted for use in the Interpretation Services office.

## 8. Employment retirement plan:

The Centre maintains a defined contribution pension plan. During the year the Centre made contributions of $24,152 (2022 - $25,356) to that plan included in employee benefits expense.

## 9. Canada Emergency Business Account:

| | March 31 | |
|---|---|---|
| | **2023** | **2022** |
| Canada Emergency Business Account loan payable, interest free until December 31, 2023. From January 1, 2024 to December 31, 2025 loan will bear interest at 5%. If at least $30,000 is repaid by December 31, 2023 the remaining 25% will be forgiven. Loan matures December 31, 2025. | $ 60,000 | $ 60,000 |
| Forgivable portion of the loan | (20,000) | (20,000) |
| | $ 40,000 | $ 40,000 |

## 10. Short term investments

Short term investments consist of $61,084 (2022 - $60,420) of guaranteed investment certificates with rates of 4.35% (2022 - 1.1%) and maturity date of November 1, 2023 (2022 - November 1, 2022).

## 11. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Centre's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Centre is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Centre has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Centre, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk. The Centre is subject to cash flow risk as bank indebtedness are at variable rates.

Liquidity risk-

Liquidity risk is the risk that the Centre cannot meet its financial obligations associated with financial liabilities in full. The Centre's main sources of liquidity are its operations and government funding. The funds are primarily used to financing working capital and capital expenditure requirements and are adequate to meet the Centre's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and impairment losses. The Centre has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Centre also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. There is no allowance for doubtful accounts.

## 12. Commitment:

The Centre has leased its premises and equipment until August 2027, with estimated minimum lease payments as follows:

| | | |
|---|---|---|
| 2024 | $ | 23,623 |
| 2025 | | 23,623 |
| 2026 | | 23,623 |
| 2027 | | 9,843 |

## 13. Interfund transfers:

During the year ended March 31, 2023, the board approved the creation of an internally restricted fund and the transfer of $30,000 from unrestricted net assets to the internally restricted fund. The internally restricted fund represents the start of the Strategic Plan goal to establish a fund to cover 3 months of operating expenses.