ADR Institute of Canada, Inc.

Financial Statements

For the Year Ended December 31, 2023

dntw
CHARTERED PROFESSIONAL ACCOUNTANTS
DNTW TORONTO LLP

45 Sheppard Ave East, Suite 703
Toronto, Ontario Canada M2N 5W9
Tel: 416-924-4900
Fax: 416-924-9377
info@dntw.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
ADR Institute of Canada, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ADR Institute of Canada, Inc. (the "Institute"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ADR Institute of Canada, Inc. as at December 31, 2023, and the results of its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institute 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

dntw CHARTERED PROFESSIONAL ACCOUNTANTS
DNTW TORONTO LLP

45 Sheppard Ave East, Suite 703
Toronto, Ontario Canada M2N 5W9
Tel: 416-924-4900
Fax: 416-924-9377
info@dntw.com

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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 Institute'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 Institute'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 Institute 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.

DNTW Toronto LLP

October 22, 2024
Toronto, Canada

Chartered Professional Accountants
Licensed Public Accountants

ADR Institute of Canada, Inc.
Statement of Financial Position
As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	$ **257,633**	$ 512,063
Short-term investments	**59,878**	17,903
Accounts receivable	**101,677**	99,293
Government remittances recoverable	**25,974**	11,101
Prepaid expenses and other assets	**72,122**	12,936
	517,284	653,296
Property, plant and equipment (Note 3)	**3,179**	1,091
	$ **520,463**	$ 654,387
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **178,834**	$ 73,890
Deferred revenue	**78,640**	87,128
	257,474	161,018
Net Assets		
Unrestricted	**262,989**	493,369
	$ **520,463**	$ 654,387

Commitment *(Note 4)*

Approved on behalf of the Board:

G. Paussi
_______________ Director

M. C. Schaf
_______________ Director

See accompanying notes

ADR Institute of Canada, Inc.
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023

	2023	2022
Revenue		
Membership fees		
Affiliates	**$ 288,040**	$ 217,617
Chartered arbitrators and chartered mediators	**175,153**	178,072
Corporate	**18,925**	10,583
Administration contracts	**178,587**	163,361
Course fees	**97,414**	182,894
Special events and projects	**80,082**	69,971
Other income	**77,281**	83,422
Interest	**9,193**	14,812
Handbook revenue	**-**	4,269
	924,675	925,001
Expenses		
Governance		
Board, committee and annual meeting	**84,373**	83,737
Audit	**15,000**	7,000
	99,373	90,737
Administration		
Wages and employee benefits	**517,273**	455,639
Professional fees	**130,547**	6,383
Office and general	**78,398**	51,560
Administration contracts	**31,304**	19,108
Rent	**30,192**	33,182
Bank charges and merchant fees	**19,252**	19,892
Telecommunications	**18,937**	10,560
Insurance	**9,986**	8,069
Organization restructuring - severance costs	**-**	2,500
Amortization	**1,929**	1,884
	837,818	608,777
Program		
Special events and projects	**127,745**	70,665
Marketing and communication	**42,182**	38,261
Learning and training	**28,886**	96,600
Printing and publications	**19,051**	24,774
	217,864	230,300
	1,155,055	929,814
Deficiency of revenue over expenses	**(230,380)**	(4,813)
Net assets, beginning of year	**493,369**	498,182
Net assets, end of year	**$ 262,989**	$ 493,369

ADR Institute of Canada, Inc.
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
Cash provided by (used in)		
Operations		
Deficiency of revenue over expenses	**$ (230,380)**	$ (4,813)
Item not affecting cash and short-term deposits		
Amortization	**1,929**	1,884
	(228,451)	(2,929)
Net changes in non-cash working capital		
Accounts receivable	**(2,384)**	29,218
Government remittances recoverable	**(14,873)**	(25,437)
Prepaid expenses	**(59,186)**	(8,284)
Accounts payable and accrued liabilities	**104,944**	18,003
Deferred revenue	**(8,488)**	(108,542)
	(208,438)	(97,971)
Investing		
Purchase of property and equipment	**(4,017)**	-
Financing		
Government loan payable	**-**	(40,000)
Net change in cash and cash equivalents	**(212,455)**	(137,971)
Cash and cash equivalents, beginning of year	**529,966**	667,937
Cash and cash equivalents, end of year	**$ 317,511**	$ 529,966

* Cash and cash equivalents is represented by cash and short-term investments.

1. NATURE OF THE ORGANIZATION

The ADR Institute of Canada, Inc. (the "Institute") was incorporated under the Canada Not-for-profit Corporations Act as a not-for-profit corporation without share capital on August 8, 1974. The Institute is not subject to income taxes pursuant to Section 149(1) of the *Income Tax Act (Canada)*. Their mission is to establish and maintain standards with respect to the training, education and conduct of arbitrators, mediators, and other dispute resolution practitioners. ADR Institute of Canada, Inc. with the assistance of its provincial institutes, is working to facilitate training in Canada, coordinate the growth and development of Alternative Dispute Resolutiion ("ADR") and promoting the use of ADR across Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the Institute.

Revenue Recognition

Membership fees are derived from members on the calendar year basis and recognized as revenue over the membership term. Management and administration contract fees, processing fees and handbook revenue are recognized as services are rendered and collection is reasonably assured. Revenue from special events, projects, and course income is recorded at time of the event or at the conclusion of the course. Fees collected in advance of being earned are recorded as deferred income.

Cash and Short-Term Deposits

Cash and short-term deposits include cashable guaranteed investment certificates with a maturity within one year.

Short-Term Investments

Investments comprising term deposits or guranteed investment certificates with an original maturity date of greater than 91 days and less than 12 months are classified as short-term investments as it is not management's intention to utilize for operating cash requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

Property and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful life as follows:

Furniture and equipment	-	10 years
Computer hardware and software	-	5 years

When property and equipment no longer contributes to the Institute's ability to provide services, its carrying amount is written down to its residual value.

Measurement Uncertainty

The preparation of financial statements under Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Institute initially measures its financial assets and liabilities at fair value.

The Institute subsequently measures its financial assets and financial liabilities at amortized cost using the straight-line method, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets subsequently measured at amortized cost include cash and short-term deposits and acounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in net income. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of expenses over revenue.

3. PROPERTY AND EQUIPMENT

		Cost		Accumulated Amortization		Net 2023		Net 2022
Computer hardware and software	$	24,740	$	21,561	$	3,179	$	1,091
Furniture and equipment	$	15,976	$	15,976	$	-	$	-
	$	40,716	$	37,537	$	3,179	$	1,091

4. COMMITMENT

The Institute is committed to base rental payments of $13,484 per annum including its proportionate share of operating costs under a lease agreement which expires December 31, 2026.

5. FINANCIAL INSTRUMENTS

The Institute's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The carrying amounts reported on the statement of financial position for these financial instruments approximate fair market values due to their immediate or short-term maturities. Unless otherwise noted, it is management's opinion that the Institute is not exposed to significant interest rate risk arising from its financial instruments. The Institute's exposure to and management of risks has not changed significantly from the previous year unless otherwise stated.

Credit Risk

Cash consists of cash on hand and deposits residing at a major Canadian financial institution.

The Institute is exposed to credit risk in the event of non-payment by their members for their receivables. The Institute has implemented appropriate credit policies and believes there is minimal risk associated with the outstanding receivables.

Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet a demand for cash or fund its obligations as they come due. The Institute meets its liquidity requirements by constant monitoring of its current and future cash flows and financial liability maturities.