

Northwest Territories Association of Architects

Financial Statements

December 31, 2019

Northwest Territories Association of Architects

Financial Statements

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Independent Auditors' Report

To the Members of Northwest Territories Association of Architects

Opinion

We have audited the financial statements of Northwest Territories Association of Architects, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, 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 report. We are independent of the Association 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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



**Yellowknife, Canada
March 10, 2020**

Chartered Professional Accountants

Northwest Territories Association of Architects

Statement of Operations

For the year ended December 31,	2019	2018 (Restated - Note 8)
Revenues		
Application fees	\$ 3,050	\$ 4,450
Continuing education	-	6,890
ExAC fees	1,450	1,840
Interest income	3,864	3,097
Membership fees	181,673	162,320
Sponsorships	3,849	6,100
	193,886	184,697
Expenses		
Accounting and legal	24,375	8,101
Administration and employment	78,017	73,693
Advertising and promotion	2,845	1,883
Amortization	499	1,056
Annual general meeting	308	-
Computer/website expense	322	113
Continuing education	9,616	12,300
Council/committees	1,485	1,603
ExAC expense	1,450	1,564
Insurance	2,497	2,359
Interest and bank charges	3,197	967
National governance levies and travel expenses	15,578	13,437
Office supplies and subscriptions	3,003	1,923
Open house/reception	1,620	1,163
President's initiatives	-	238
Registrar	658	515
Rent	9,526	9,967
Telephone and internet	2,239	2,215
Travel	4,227	3,363
	161,462	136,460
Excess of revenues over expenses	\$ 32,424	\$ 48,237

Northwest Territories Association of Architects

Statement of Changes in Net Assets

For the year ended December 31, 2019

	Unrestricted Fund	Investment in tangible capital assets Fund	Legal Fund	Operating Fund	Scholarship Fund	Total 2019	Total 2018 (restated - Note 8)
Balance, beginning of year, as previously stated	\$ 13,265	\$ 788	\$ 123,397	\$ 78,493	\$ 7,532	\$ 223,475	\$ 177,135
Prior period adjustment (note 7)	(6,271)	-	-	-	-	(6,271)	(8,168)
Balance, beginning of year, as restated	6,994	788	123,397	78,493	7,532	217,204	168,967
Excess of revenues over expenses	32,424	-	-	-	-	32,424	48,237
Aquisition of tangible capital assets	-	639	-	-	-	639	-
Amortization	499	(499)	-	-	-	-	-
Loss on write-down of tangible capital assets	(639)	-	-	-	-	(639)	-
Interest income on Legal Fund investments	(678)	-	678	-	-	-	-
Transfer to Legal Fund	(10,567)	-	10,567	-	-	-	-
Interest income on Operating Fund investments	(888)	-	-	888	-	-	-
Transfer from Operating Fund	2,221	-	-	(2,221)	-	-	-
Interest income on Scholarship Fund	(5)	-	-	-	5	-	-
Transfer to Scholarship Fund	(4,000)	-	-	-	4,000	-	-
Balance, end of year	\$ 25,361	\$ 928	\$ 134,642	\$ 77,160	\$ 11,537	\$ 249,628	\$ 217,204

Northwest Territories Association of Architects

Statement of Financial Position

December 31,	2019	2018 (restated - Note 8)
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Assets

Current

Cash	\$ 66,525	\$ 37,707
Accounts receivable	6,918	6,958
Prepaid expenses	590	1,076

74,033	45,741
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Interest receivable	5,236	7,526
Restricted investments (note 3)	221,951	201,896
Tangible capital assets (note 4)	928	788

\$ 302,148	\$ 255,951
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Liabilities

Current

Accounts payable and accrued liabilities (note 5)	\$ 17,080	\$ 15,638
Unearned revenue (note 6)	35,440	23,109

52,520	38,747
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Fund balances

Unrestricted Fund	25,361	6,994
Investment in tangible capital assets Fund	928	788
Legal Fund	134,642	123,397
Operating Fund	77,160	78,493
Scholarship Fund	11,537	7,532

249,628	217,204
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\$ 302,148	\$ 255,951
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Commitments (note 8)

Approved on behalf of the council:

_____ Director	_____ Director
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Northwest Territories Association of Architects

Statement of Cash Flows

For the year ended December 31,

2019

2018
(restated -
Note 8)

Cash provided by (used for)

Operating activities

Excess of revenues over expenses	\$ 32,424	\$ 48,237
Items not affecting cash		
Amortization	499	1,056
Interest receivable	2,290	(3,078)

35,213 46,215

Change in non-cash working capital items

Accounts receivable	40	(2,782)
Prepaid expenses	486	433
Contributions receivable	-	3,485
Accounts payable and accrued liabilities	1,442	(1,937)
Unearned revenue	12,331	23,054

49,512 68,468

Investing activities

Purchase of long-term investments	(112,928)	(52,526)
Purchase of tangible capital assets	(639)	(1,017)
Proceeds from disposal of investments	92,873	-

(20,694) (53,543)

Increase in cash

28,818 14,925

Cash, beginning of year

37,707 22,782

Cash, end of year

\$ 66,525 \$ 37,707

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2019

1. Nature of operations

Northwest Territories Association of Architects (the "Association") is a self-regulating, self-governing professional organization for architects in the Northwest Territories. The *Architects Act* of the Northwest Territories gives the Association the authority to govern its members. As a not-for-profit organization under the *Income Tax Act* section 149(1)(l), the Association is not subject to income taxes.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition

Membership fees are the annual fees for membership in the Association. Fees paid by members cover the fiscal year; therefore, there are no deferred fees unless members pay next year's membership fees before the end of the current fiscal year, in which case they are recorded as a liability in unearned revenue.

ExAC fees are recognized when the exam is written.

Interest income is recognized when it is earned.

Sponsorship income is recognized when it is received.

Application fees are amounts collected from new members and are recognized when the applications are received.

(b) Fund accounting

The Association follows the restricted fund method of accounting. The Association uses the following funds:

The Investment in Tangible Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the Association's tangible capital assets.

The Legal Fund is an internally restricted fund established to be used for possible future legal expenses.

The Scholarship Fund is an internally restricted fund established to be used for scholarships for students.

The Operating Fund is an internally restricted fund established to cover any unforeseen expenses that may arise during weak economic conditions.

Internally restricted funds represent transfers from the unrestricted fund based on approved budget or council approved transfer plus interest earned on related investments.

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

(c) Donated services

The work of the Association is dependent on the voluntary services of many members. The value of donated services is not recognized in these statements because the fair value of the donated services cannot be reasonably estimated.

(d) Tangible capital assets

Tangible capital assets are recorded at cost. The Association provides for amortization using the declining balance method at rates designed to amortize the cost of the assets over their estimated useful lives, as set out in note 4.

When tangible capital assets are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

(e) Financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

The Association subsequently measures the following financial assets and financial liabilities at amortized cost:

Financial assets measured at amortized cost include cash, accounts receivable, interest receivable, and restricted investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association subsequently measures no financial assets and financial liabilities at fair value.

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

(f) Use of estimates

The preparation of the financial statements in conformity with 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 disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted investments

	2019	2018
Operating Fund CIBC Guaranteed Income Certificate with an interest rate of 2.0%, maturing on December 23, 2020. Total interest accrued is \$4 (2018- nil).	\$ 10,250	\$ -
Operating Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 3.0% (2018 - 1.25%), maturing on December 21, 2020. Total interest accrued is \$3,343 (2018 - \$2,455).	66,022	66,022
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 3.0% (2018 - 1.25%), maturing on December 21, 2020. Total interest accrued is \$1,193 (2018 - \$856).	25,000	25,000
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.10% (2018 - 1.00%), maturing on December 22, 2021. Total interest accrued is \$242 (2018 - \$153).	9,000	9,000
Legal Fund CIBC Guaranteed Income Certificate with an annual interest rate of 2.25%, maturing on December 28, 2022. Total interest accrued is \$411 (2018 - \$206).	9,000	9,000

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2019

3. Restricted investments (continued)

Operating Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, matured on December 18, 2019. Total interest accrued is nil (2018- \$10).	-	10,000
Legal Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, matured on December 18, 2019. Total interest accrued is nil (2018- \$32).	-	35,000
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate (2018 - 3.70%), matured on April 30, 2019. Total interest accrued is nil (2018- \$3,808).	-	40,348
Legal Fund CIBC Guaranteed Income Certificate with an interest rate of 2.0%, maturing on December 23, 2020. Total interest accrued is \$14 (2018- nil).	30,965	-
Legal Fund CIBC Guaranteed Income Certificate with an interest rate of 2.3%, maturing on December 27, 2023. Total interest accrued is \$15 (2018- nil).	30,000	-
Legal Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, maturing on December 23, 2024. Total interest accrued is \$16 (2018- nil).	30,000	-
Scholarship Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, matured on December 20, 2019. Total interest accrued is nil (2018- \$6).	-	7,526
Scholarship Fund CIBC Guaranteed Income Certificate with an interest rate of 2.0%, maturing on December 23, 2020. Total interest accrued is \$5 (2018- nil).	11,714	-
	\$ 221,951	\$ 201,896

4. Tangible capital assets

				2019	2018
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	20%	\$ 1,999	\$ 1,999	\$ -	\$ -
Computer equipment	45%	2,489	1,561	928	788
		\$ 4,488	\$ 3,560	\$ 928	\$ 788

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2019

5. Accounts payable and accrued liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 9,621	\$ 8,005
Government remittances	1,402	1,362
Vacation accrual	6,057	6,271
	\$ 17,080	\$ 15,638

6. Unearned revenue

	2019	2018
2020 membership fees received in 2019	\$ 35,440	\$ -
2019 membership fees received in 2018	-	23,109
	\$ 35,440	\$ 23,109

7. Prior period adjustment

During the year ended December 31, 2019, we noted that vacation payable had not been accrued in previous years. The financial statements are restated to accrue vacation payable, the effect of which is as follows:

	2019	2018
Increase in accounts payable and accrued liabilities, vacation payable - opening balance	\$ 6,271	\$ 8,168
Increase in accounts payable and accrued liabilities, vacation payable - closing balance	\$ -	\$ 6,271
Decrease in unrestricted fund - opening balance	\$ 6,271	\$ 8,168
Decrease in unrestricted fund - closing balance	\$ -	\$ 6,271
Decrease in salaries and payroll expense	\$ -	\$ 1,897

8. Commitments

The Association has a rental agreement in place for their current location. The rental agreement expires on March 31, 2022. The annual lease expense is \$9,526 plus amounts for other services provided with the following future minimum payments:

2020	\$ 9,526
2021	9,526
2022	2,381
	\$ 21,433

Northwest Territories Association of Architects

Notes to the Financial Statements

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9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

The Association does have credit risk in cash, accounts receivable, interest receivable and restricted investments of \$300,630 (2018 - \$254,087). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Association's cash and restricted investments are maintained with a large federally regulated financial institution in Canada and exceed federally insured limits. The risk has not changed from the prior year.

(b) Liquidity risk

The Association does have a liquidity risk in the accounts payable and accrued liabilities of \$17,080 (2018 - \$15,638). Liquidity risk is the risk that the Association cannot repay its obligations when they become due to its creditors. The risk has not changed from the prior year.

(c) Interest rate risk

The Association is exposed to interest rate risk in restricted investments of \$221,951 (2018 - \$201,896). Interest rate risk is the risk that the fair value or future cash flows related to restricted investments will fluctuate because of change in market interest rates. The risk has not changed from the prior year.