

Northwest Territories Association of Architects

Financial Statements

December 31, 2016

Draft - February 20, 2017

Northwest Territories Association of Architects

Financial Statements

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Draft - February 20, 2017

Independent Auditors' Report

To the Members of Northwest Territories Association of Architects

We have audited the accompanying financial statements of Northwest Territories Association of Architects, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northwest Territories Association of Architects as at December 31, 2016, 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.

**Yellowknife, Canada
February 24, 2017**

Chartered Professional Accountants

Northwest Territories Association of Architects

Statement of Operations

For the year ended December 31,	2016	2015
Revenues		
Application fees	\$ 6,050	\$ 4,050
Award submissions	3,370	-
Continuing education	187	30,145
ExAC fees	1,840	4,788
Interest income	1,705	747
Membership fees	128,451	124,009
Sponsorships	2,000	-
	143,603	163,739
Expenditures		
Accounting and legal	10,588	8,553
Administration and employment	69,528	64,971
Advertising and promotion	29	6,688
Amortization	334	184
Annual general meeting	44	365
Computer/website expense	247	441
Continuing education	910	27,631
Council/committees	1,057	1,074
ExAC expense	1,613	4,255
Insurance	1,315	1,315
Interest and bank charges	195	174
Awards gala	10,878	-
National governance levies and travel expenses	12,008	6,476
Office supplies and subscriptions	2,118	2,054
Open house/reception	437	882
President's initiatives	768	674
Registrar	920	496
Rent	10,080	10,080
Scholarship	2,500	3,000
Telephone	1,511	1,530
Travel	2,354	4,556
	129,434	145,399
Excess of revenues over expenditures before other item	14,169	18,340
Other expense		
Loss on write-down of tangible capital assets	-	458
Excess of revenues over expenditures	\$ 14,169	\$ 17,882

Northwest Territories Association of Architects

Statement of Changes in Net Assets

For the year ended December 31, 2016

	Unrestricted Fund	Investment in tangible capital assets Fund	Legal Fund	Operating Fund	Total 2016	Total 2015
Balance, beginning of year	\$ 16,077	\$ 737	\$ 66,024	\$ 66,040	\$ 148,878	\$ 130,996
Excess of revenues over expenditures	14,169	-	-	-	14,169	17,882
Acquisition of tangible capital assets	(832)	832	-	-	-	-
Amortization	334	(334)	-	-	-	-
Transfer to Legal Fund	(9,000)	-	9,000	-	-	-
Interest income on legal fund investments	(1,031)	-	1,031	-	-	-
Interest income on operating fund investments	(662)	-	-	662	-	-
Balance, end of year	\$ 19,055	\$ 1,235	\$ 76,055	\$ 66,702	\$ 163,047	\$ 148,878

Northwest Territories Association of Architects

Statement of Financial Position

December 31, 2016 2015

Assets

Current

Cash	\$ 24,883	\$ 29,579
Accounts receivable (note 4)	459	134
Prepaid expenses	1,916	329

27,258

30,042

Interest receivable	2,387	694
Long-term investments (note 5)	140,370	131,370
Tangible capital assets (note 6)	1,235	737

\$ 171,250

\$ 162,843

Liabilities

Current

Accounts payable and accrued liabilities (note 7)	\$ 6,893	\$ 8,595
Unearned revenue (note 8)	1,310	5,370

8,203

13,965

Fund balances

Unrestricted Fund	19,055	16,077
Investment in tangible capital assets Fund	1,235	737
Legal Fund	76,055	66,024
Operating Fund	66,702	66,040

163,047

148,878

\$ 171,250

\$ 162,843

Commitment (note 3)

Approved on behalf of the council:

_____ Member

_____ Member

Northwest Territories Association of Architects

Statement of Cash Flows

For the year ended December 31,	2016	2015
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenditures	\$ 14,169	\$ 17,882
Items not affecting cash		
Amortization	334	184
Loss on write-down of tangible capital assets	-	458
	14,503	18,524
Change in non-cash working capital items		
Accounts receivable	(325)	1,130
Prepaid expenses	(1,587)	-
Accounts payable and accrued liabilities	(1,702)	(1,014)
Unearned revenue	(4,060)	5,370
	6,829	24,010
Investing activities		
Proceeds at maturity of term deposits	-	40,520
Interest receivable	(1,693)	(239)
Purchase of long-term investments	(9,000)	(91,022)
Purchase of tangible capital assets	(832)	-
	(11,525)	(50,741)
Decrease in cash	(4,696)	(26,731)
Cash, beginning of year	29,579	56,310
Cash, end of year	\$ 24,883	\$ 29,579

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2016

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(e), 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 policies are detailed as follows:

(a) Revenue recognition

The Association follows the deferral method of accounting for contributions.

Award submissions and sponsorships are recognized when the relevant expenses are incurred.

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. Continuing education revenue is recognized when the course is delivered. Interest income is recognized when it is earned. Application fees are amounts collected from new members and are recognized when received.

(b) Cash equivalents

Cash and cash equivalents includes bank balances, including term deposits and other highly liquid interest bearing instruments with a maturity period of three months or less from the date of acquisition.

(c) Fund accounting

The Association follows the deferral method of accounting. The Unrestricted Fund includes the core operating account of the Association.

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

The Legal Fund is an internally restricted fund established to be used for possible future legal expenditures. The reserve is increased or decreased by transfers to or from the unrestricted fund.

The Operating Fund is an internally restricted fund established to cover any unforeseen expenses that may arise during weak economic conditions. The reserve is increased or decreased by transfers to or from the unrestricted fund.

(d) Donated services

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2016

2. Significant accounting policies (continued)

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.

(e) 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 6.

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.

(f) 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 long-term 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.

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.

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2016

2. Significant accounting policies (continued)

(g) 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. Commitment

The Association has a rental agreement in place for their current location. The rental agreement expires on March 31, 2019. The annual lease expense is \$9,526 plus amounts for other services provided with the following future minimum payments:

2017	\$	9,526
2018		9,526
2019		2,318
		<hr/>
		\$ 21,370

4. Accounts receivable

	2016	2015
Accounts receivable	\$ 459	\$ 134

No allowance for doubtful accounts have been recorded for the 2016 or 2015 fiscal years.

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2016

5. Long-term investments

	2016	2015
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.95% (2015 - 1.70%), maturing on April 30, 2019. Total interest accrued is \$1,433 (2015 - \$654).	\$ 40,348	\$ 40,348
Operating Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.10% (2015 - 1.00%), maturing on December 21, 2020. Total interest accrued is \$680 (2015 - \$18).	66,022	66,022
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.10% (2015 - 1.00%), maturing on December 21, 2020. Total interest accrued is \$272 (2015 - \$21).	25,000	25,000
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 0.75%, maturing on December 22, 2021. Total interest accrued is \$2.	9,000	-
	\$ 140,370	\$ 131,370

6. Tangible capital assets

			2016	2015	
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	20%	\$ 1,999	\$ 1,409	\$ 590	\$ 737
Computer equipment	45%	832	187	645	-
		\$ 2,831	\$ 1,596	\$ 1,235	\$ 737

7. Accounts payable and accrued liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 6,010	\$ 6,504
Government remittances	883	882
Northwest Territories payroll tax remittances	-	1,209
	\$ 6,893	\$ 8,595

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2016

8. Unearned revenue

	2016	2015
Architectural awards and photo submissions	\$ -	\$ 3,370
Royal Architectural Institute of Canada sponsorship	-	2,000
2017 membership fees received in 2016	1,310	-
	\$ 1,310	\$ 5,370

9. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

10. 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 long-term investments of \$168,099 (2015 - \$161,777). 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 also has credit risk in cash, term deposits and long-term investments. The Association's cash, term deposits and long-term investments are maintained with a large federally regulated financial institution in Canada and exceed federally insured limits. The risk has not changed since the prior year.

(b) Liquidity risk

The Association does have a liquidity risk in the accounts payable and accrued liabilities of \$6,893 (2015 - \$8,595). Liquidity risk is the risk that the Association cannot repay its obligations when they become due to its creditors. The risk has not changed since the prior year.

(c) Interest rate risk

The Association is exposed to interest rate risk in long-term investments of \$140,370 (2015 - \$131,370). Interest rate risk is the risk that the Association has interest rate exposure on its term deposits and long-term investments, which is mitigated through the use fixed rates. This exposure may have an effect on its earnings in future periods. The risk has not changed since the prior year.