

Northwest Territories Association of Architects

Financial Statements

December 31, 2018

Draft - February 20, 2019

Northwest Territories Association of Architects

Financial Statements

December 31, 2018

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Draft - February 20, 2019

Independent Auditors' Report

To the Members of Northwest Territories Association of Architects

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northwest Territories Association of Architects, which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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.

Independent Auditors' Report (continued)

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
Date to be determined

Chartered Professional Accountants

Northwest Territories Association of Architects

Statement of Operations

For the year ended December 31,	2018	2017
Revenues		
Administrative revenue	\$ -	\$ 3,600
Application fees	4,450	2,950
Continuing education	6,890	20,420
ExAC fees	1,840	3,220
Interest income	3,097	2,062
Membership fees	162,320	132,087
Sponsorships	6,100	32,235
	184,697	196,574
Expenditures		
Accounting and legal	8,101	12,377
Administration and employment	75,590	72,730
Administrative expense	-	3,600
Advertising and promotion	1,883	2,131
Amortization	1,056	408
Annual general meeting	-	211
Computer/website expense	113	527
Continuing education	12,300	52,921
Council/committees	1,603	1,513
ExAC expense	1,564	2,826
Insurance	2,359	1,959
Interest and bank charges	967	183
National governance levies and travel expenses	13,437	10,953
Office supplies and subscriptions	1,923	2,023
Open house/reception	1,163	649
President's initiatives	238	590
Registrar	515	491
Rent	9,967	9,526
Scholarship	-	1,500
Telephone and internet	2,215	2,214
Travel	3,363	3,154
	138,357	182,486
Excess of revenues over expenditures	\$ 46,340	\$ 14,088

Northwest Territories Association of Architects

Statement of Changes in Net Assets

For the year ended December 31, 2018

	Unrestricted Fund	Investment in tangible capital assets Fund	Legal Fund	Operating Fund	Scholarship Fund	Total 2018	Total 2017
Balance, beginning of year	\$ 22,490	\$ 827	\$ 86,374	\$ 67,444	\$ -	\$ 177,135	\$ 163,047
Excess of revenues over expenditures	46,340	-	-	-	-	46,340	14,088
Amortization	(1,056)	1,056	-	-	-	-	-
Interest income on Legal Fund investments	(2,023)	-	2,023	-	-	-	-
Transfer to Legal Fund	(35,000)	-	35,000	-	-	-	-
Interest income on Operating Fund investments	(1,049)	-	-	1,049	-	-	-
Transfer to Operating Fund	(10,000)	-	-	10,000	-	-	-
Interest income on Scholarship Fund	(6)	-	-	-	6	-	-
Transfer to Scholarship investments	(7,526)	-	-	-	7,526	-	-
Balance, end of year	\$ 12,170	\$ 1,883	\$ 123,397	\$ 78,493	\$ 7,532	\$ 223,475	\$ 177,135

Northwest Territories Association of Architects

Statement of Financial Position

December 31, 2018 2017

Assets

Current

Cash	\$ 37,707	\$ 22,782
Accounts receivable (note 3)	6,958	4,176
Prepaid expenses	1,076	1,509
Contributions receivable (note 4)	-	3,485

45,741 31,952

Interest receivable	7,526	4,448
Long-term investments (note 5)	201,896	149,370
Tangible capital assets (note 6)	788	827

\$ 255,951 \$ 186,597

Liabilities

Current

Accounts payable and accrued liabilities (note 7)	\$ 9,367	\$ 9,407
Unearned revenue (note 8)	23,109	55

32,476 9,462

Fund balances

Unrestricted Fund	12,170	21,658
Investment in tangible capital assets Fund	1,883	827
Legal Fund	123,397	86,374
Operating Fund	78,493	67,444
Scholarship Fund	7,532	-
Surplus	-	832

223,475 177,135

\$ 255,951 \$ 186,597

Commitments (note 9)

Approved on behalf of the council:

_____ Member

_____ Member

Northwest Territories Association of Architects

Statement of Cash Flows

For the year ended December 31,	2018	2017
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenditures	\$ 46,340	\$ 14,088
Items not affecting cash		
Amortization	1,056	408
Interest receivable	(3,078)	(2,062)
	44,318	12,434
Change in non-cash working capital items		
Accounts receivable	(2,782)	(3,717)
Prepaid expenses	433	407
Contributions receivable	3,485	(3,485)
Accounts payable and accrued liabilities	(40)	2,515
Unearned revenue	23,054	(1,255)
	68,468	6,899
Investing activities		
Purchase of long-term investments	(52,526)	(9,000)
Purchase of tangible capital assets	(1,017)	-
	(53,543)	(9,000)
Increase (decrease) in cash	14,925	(2,101)
Cash, beginning of year	22,782	24,883
Cash, end of year	\$ 37,707	\$ 22,782

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

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 accounting policies are detailed as follows:

(a) Revenue recognition

The Association follows the deferral method of accounting for contributions.

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.

Continuing education revenue is recognized when the course is delivered.

ExAC fees are recognized when the exam is written.

Interest income is recognized when it is earned.

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

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

2. Significant accounting policies (continued)

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

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.

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

2. Significant accounting policies (continued)

(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, contributions 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.

(g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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. Accounts receivable

Allowance for doubtful accounts for the year ended December 31, 2018 is nil (2017 - nil).

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

4. Contributions receivable

	2018	2017
Government of the Northwest Territories - Employment, Culture and Education	\$ -	\$ 2,000
	-	1,485
	\$ -	\$ 3,485

5. Long-term investments

	2018	2017
Operating Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.25% (2017 - 1.15%), maturing on December 21, 2020. Total interest accrued is \$2,454 (2017 - \$1,421).	\$ 66,022	\$ 66,022
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.25% (2017 - 1.15%), maturing on December 21, 2020. Total interest accrued is \$856 (2017 - \$555).	25,000	25,000
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 1.00% (2017 - 0.90%), maturing on December 22, 2021. Total interest accrued is \$153 (2017 - \$70).	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 \$206 (2017 - \$2).	9,000	9,000
Legal Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, maturing on December 18, 2019. Total interest accrued is \$32 (2017- \$nil).	10,000	-
Operating Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, maturing on December 18, 2019. Total interest accrued is \$10 (2017- \$nil).	35,000	-
Legal Fund CIBC Guaranteed Income Certificate with an escalating interest rate of 3.7% (2017 - 2.45%), maturing on April 30, 2019. Total interest accrued is \$3,808 (2017- \$2,400).	40,348	40,348
Scholarship Fund CIBC Guaranteed Income Certificate with an interest rate of 2.5%, maturing on December 20, 2019. Total interest accrued is \$6 (2017- \$nil).	7,526	-
	\$ 201,896	\$ 149,370

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

6. Tangible capital assets

			2018	2017	
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	20%	\$ -	\$ -	\$ -	\$ 472
Computer equipment	45%	1,850	1,062	788	355
		\$ 1,850	\$ 1,062	\$ 788	\$ 827

7. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 8,005	\$ 7,150
Government remittances	1,362	2,257
	\$ 9,367	\$ 9,407

8. Unearned revenue

	2018	2017
2019 membership fees received in 2018	\$ 23,109	\$ -
2018 membership fees received in 2017	-	55
	\$ 23,109	\$ 55

9. Commitments

The Association has a rental agreement in place for their current location. The rental agreement expires on March 31, 2020. The annual lease expense is \$9,526 plus amounts for other services provided with the following future minimum payments:

2019	\$ 9,526
2020	2,381
	\$ 11,907

Northwest Territories Association of Architects

Notes to the Financial Statements

December 31, 2018

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, contribution receivable, interest receivable and long-term investments of \$254,120 (2017 - \$184,261). 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 long-term 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 \$9,367 (2017 - \$9,407). 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 long-term investments of \$201,896 (2017 - \$149,370). 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 of fixed rates. This exposure may have an effect on its earnings in future periods. The risk has not changed from the prior year.