

THE ALBERTA ASSOCIATION OF ARCHITECTS
Financial Statements
Year Ended December 31, 2021

THE ALBERTA ASSOCIATION OF ARCHITECTS
Index to Financial Statements
Year Ended December 31, 2021

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Cash Flow	8
Notes to Financial Statements	9 - 15
Schedule of Operating Activities (<i>Schedule 1</i>)	16
Schedule of Programs (<i>Schedule 2</i>)	17

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Alberta Association of Architects

Opinion

We have audited the financial statements of The Alberta Association of Architects (the Association), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and cash flow 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, 2021, and the results of its operations and its cash flow 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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of The Alberta Association of Architects for the year ended December 31, 2020, were audited by another auditor who expressed an unqualified opinion on those statements on March 30, 2021.

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 relating 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.

(continues)

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 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 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 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.

Edmonton, Alberta
March 17, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

THE ALBERTA ASSOCIATION OF ARCHITECTS
Statement of Financial Position
December 31, 2021

	2021	Restated (Note 14) 2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 3,263,449	\$ 2,721,732
Short-term investments and marketable securities (Note 3)	186,153	751,688
Accounts receivable (Note 4)	23,014	45,177
Prepaid expenses	33,931	29,677
	3,506,547	3,548,274
RESTRICTED CASH (Notes 3, 5)	3,052,756	2,951,830
PROPERTY AND EQUIPMENT (Note 6)	1,057,872	1,102,926
INTANGIBLE ASSETS (Note 7)	-	35,614
	\$ 7,617,175	\$ 7,638,644
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 157,050	\$ 186,535
Deferred contributions (Note 9)	1,677,078	1,856,322
	1,834,128	2,042,857
NET ASSETS		
Unrestricted (Note 10)	1,672,419	1,505,417
Invested in tangible and intangible capital assets	1,057,872	1,138,540
Internally restricted (Note 10)	3,052,756	2,951,830
	5,783,047	5,595,787
	\$ 7,617,175	\$ 7,638,644
CONTINGENT LIABILITY (Note 11)		

APPROVED BY COUNCIL




President – Keesa Hutchinson, Architect AAA

Treasurer – Greg Beck, Architect AAA

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS
Statement of Operations
For the Year Ended December 31, 2021

	2021	Restated (Note 14) 2020
REVENUES		
Operations - Schedule 1	\$ 1,807,773	\$ 1,879,320
Programs - Schedule 2	566,917	406,727
	<u>2,374,690</u>	<u>2,286,047</u>
EXPENSES		
Operations - Schedule 1	1,861,477	1,875,020
Programs - Schedule 2	325,953	224,420
	<u>2,187,430</u>	<u>2,099,440</u>
REVENUES OVER EXPENSES	<u>\$ 187,260</u>	<u>\$ 186,607</u>

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS
Statement of Changes in Net Assets
Year Ended December 31, 2021

	Unrestricted	Invested in Tangible and Intangible Capital Assets	Duggan House Maintenance and Historical Fund	Legal Contingency Fund	Financial Stabilization Fund	Office Space Relocation Fund	Total Internally Restricted Fund	2021	Restated (Note 14) 2020
NET ASSETS - BEGINNING OF YEAR	\$ 1,505,417	\$ 1,138,540	\$ 224,000	\$ 1,686,299	\$ 811,531	\$ 230,000	\$ 2,951,830	\$ 5,595,787	\$ 5,409,180
Revenues over (under) expenses	276,785	(89,525)	-	-	-	-	-	187,260	186,607
Invested in tangible and intangible capital assets	(8,857)	8,857	-	-	-	-	-	-	-
Transfer	(100,926)	-	6,000	57,334	27,592	10,000	100,926	-	-
NET ASSETS - END OF YEAR	\$ 1,672,419	\$ 1,057,872	\$ 230,000	\$ 1,743,633	\$ 839,123	\$ 240,000	\$ 3,052,756	\$ 5,783,047	\$ 5,595,787

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS
Statement of Cash Flow
Year Ended December 31, 2021

	2021	Restated (Note 14) 2020
OPERATING ACTIVITIES		
Revenues over expenses	\$ 187,260	\$ 186,607
Items not affecting cash:		
Amortization of property and equipment	53,912	56,433
Amortization of intangible assets	35,614	35,613
Unrealized (gain) loss on marketable securities	(34,465)	6,995
Accrued interest	(10,930)	(101,201)
Reclassification of investments to cash equivalents	679,304	2,300,833
	<u>910,695</u>	2,485,280
Changes in non-cash working capital (Note 12)	<u>(190,820)</u>	302,462
	<u>719,875</u>	2,787,742
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(8,857)	(5,440)
Purchase of short-term investments	(9,309,827)	(14,388,190)
Proceeds from redemption of short-term investments	9,140,526	13,929,289
	<u>(178,158)</u>	(464,341)
INCREASE IN CASH AND CASH EQUIVALENTS	541,717	2,323,401
Cash and cash equivalents - beginning of year	<u>2,721,732</u>	398,331
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,263,449	\$ 2,721,732

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2021

1. NATURE OF OPERATIONS

The Alberta Association of Architects (the 'Association') is a not-for-profit, self-governing professional organization which regulates architects and licensed interior designers in the province of Alberta, in accordance with the provisions of the Architects Act, RSA 2000, c.A-44. As a non-profit organization under the Income Tax Act (Canada), the Association is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date and guaranteed investment certificates with maturity dates of three months or less from the date of acquisition.

Short-term investments and marketable securities

Short-term investments are comprised of guaranteed investment certificates with maturity dates of less than one year.

Marketable securities are recorded at fair market value. Unrealized gains or losses are recognized on the statement of operations.

Restricted cash

Restricted cash is comprised of guaranteed investment certificates that have been restricted by management for specific programs and are not to be used for current purposes.

(continues)

THE ALBERTA ASSOCIATION OF ARCHITECTS
Notes to Financial Statements
Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible and intangible capital assets

Tangible and intangible capital assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Building and improvements	40 years
Furniture and equipment	10 years
Computer equipment	3 years
Professional development online reporting	3 years
Course software	3 years

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of tangible capital assets is recorded as an expense in the statement of operations. A write-down shall not be reversed.

Tangible and intangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Professional conduct matters

Costs arising from professional conduct matters are expensed as incurred. Recoveries of these costs are recognized when collection is certain.

Donated services

The work of the Association is largely dependent on volunteer services contributed by many members. The services are not normally purchased by the Association and because of the difficulty in determining their fair value, donated services are not recognized in the financial statements.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Contributions are included in revenue in the year in which they are received or receivable, with the exception that externally restricted contributions to fund a specific future period's expenses are included in revenue in the later period in which the expense is incurred.

Deferred contributions are comprised of member dues and registration fees collected in advance, special levies for programs to be completed in the subsequent year and amounts received with respect to discipline matters still unresolved at year end.

Administration fees, professional development, registration, practice and complaint and communication and event revenue are recognized as the services are provided and collection is reasonably assured.

Interest income is comprised of interest from guaranteed investment certificates and is recognized on an accrual basis.

(continues)

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial instruments are financial assets or financial liabilities of the Association where, in general, the Association has the right to receive cash or another financial asset from another party or the Association has the obligation to pay another party cash or other financial assets.

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

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, short-term investments and restricted cash.

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

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

Financial assets measured at fair market value include marketable securities.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates included in the financial statements pertain to the useful life of tangible and intangible capital assets for the determination of annual amortization, accrued liabilities and deferred contributions. Actual results could differ from these estimates.

3. SHORT-TERM INVESTMENTS AND RESTRICTED CASH

Short-term investments and restricted cash consists of five (2020--six) guaranteed investment certificates bearing interest from 0.35% to 0.45% (2020--0.45% to 0.64%) maturing from January 2022 to March 2022 (2020--January 2021 to March 2021).

THE ALBERTA ASSOCIATION OF ARCHITECTS
Notes to Financial Statements
Year Ended December 31, 2021

4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 175,677	\$ 73,700
Allowance for doubtful accounts	(152,663)	(28,523)
	\$ 23,014	\$ 45,177

During the year, the Association recorded a bad debt expense of \$124,139 (2020--\$1,022). The allowance for doubtful accounts includes a provision for discipline case penalties of \$120,547 (2020--\$27,501).

5. RESTRICTED CASH

Restricted cash is comprised of guaranteed investment certificates outlined in Note 3, which has been internally restricted for specific programs, as described in Note 10 and has been presented as restricted cash since it cannot be used for current operating purposes.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 123,936	\$ -	\$ 123,936	\$ 123,936
Building and improvements	1,422,174	533,699	888,475	924,029
Furniture and equipment	120,141	81,154	38,987	49,738
Computer equipment	66,354	59,880	6,474	5,223
	\$ 1,732,605	\$ 674,733	\$ 1,057,872	\$ 1,102,926

7. INTANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2021 Net book value	2020 Net book value
Professional development online reporting	\$ 192,213	\$ 192,213	\$ -	\$ -
Course software	106,840	106,840	-	35,614
	\$ 299,053	\$ (299,053)	\$ -	\$ 35,614

THE ALBERTA ASSOCIATION OF ARCHITECTS
Notes to Financial Statements
Year Ended December 31, 2021

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is the following government remittance payable:

	<u>2021</u>	<u>2020</u>
Goods and Services Tax payable	\$ 81,669	\$ 90,251

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent member dues and registration fees received in advance for the subsequent year.

	Balance, Beginning of Year	Contributions Received	Amounts Recognized as revenue	Balance, End of Year
Member dues	\$ 1,543,126	\$ 1,728,669	\$ 1,722,238	\$ 1,549,557
Registration and event fees	313,196	127,521	313,196	127,521
	\$ 1,856,322	\$ 1,856,190	\$ 2,035,434	\$ 1,677,078

10. NET ASSETS

Unrestricted

Council has designated \$100,926 of additional funds at the end of the year from unrestricted net assets to be used in support of projects that are either not included in the regular operating budget or that may be enhanced through additional fiscal support. The existence of such unrestricted funds allows the Association to address emerging priorities as well as unanticipated costs without having to cut back on programs or other important priorities within the current year's budget. The reallocation of funds from the unrestricted net assets to Internally Restricted funds are described below.

Internally Restricted

Duggan House Maintenance and Historical Fund

There is a need to have funds available for the maintenance and the periodic restoration of Duggan House, which was recognized by the provincial government on August 31, 1982 as a Provincial Historical Resource. The Duggan House Maintenance was set up to provide for any additional restoration and maintenance expenses and each year 10% of the original amount, \$60,000, will be allocated to the fund to ensure that finances are available when required. In the current year, a transfer of \$6,000 was approved in order to reach a balance of \$230,000.

(continues)

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2021

10. NET ASSETS (continued)

Legal Contingency Fund

The Legal Contingency Fund was established to grow to a minimum balance of \$2,000,000 in order to provide for legal and other costs arising from challenges to the profession and professional conduct disciplinary matters. This balance is adjusted annually to correspond to changes in the consumer price index (CPI). In the current year, a transfer of \$57,334 (inclusive of the CPI) was approved to reach a balance of \$1,743,633.

Financial Stabilization Fund

The Financial Stabilization Fund was established to safeguard the Association against uncertainty and to provide for unexpected expenditures and new program initiatives. The balance is adjusted to correspond to changes in the consumer price index or by an amount determined by Council, to provide for nine months of operating funds. In the current year, a transfer of \$27,592 (inclusive of the CPI) was approved in order to reach a balance of \$839,123.

Office Space - Relocation Fund

In anticipation of an increase in membership, Council approved steps to plan for the future of Duggan House. The anticipated growth in membership may result in the need for additional staffing and this may, in turn, result in the need for additional office space. Although no date has yet been set for this transition, a separate relocation fund of \$100,000 was set up to assist with the finances that may be required for new office space or for renovations to Duggan House. Each year, 10% of the original amount will be added to the fund to ensure that finances are available when required. In the current year, a transfer of \$10,000 (10% of the original amount) was approved in order to reach a balance of \$240,000.

11. CONTINGENT LIABILITY

A claim has been filed against the Association. At this time the outcome and an estimate of potential losses, if any, are not determinable. As such, no amounts related to the claim are recorded in the financial statements.

12. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 22,163	\$ 332
Prepaid expenses	(4,254)	51,049
Accounts payable and accrued liabilities	(29,485)	(42,679)
Deferred contributions	(179,244)	293,760
	<u>\$ (190,820)</u>	<u>\$ 302,462</u>

THE ALBERTA ASSOCIATION OF ARCHITECTS
Notes to Financial Statements
Year Ended December 31, 2021

13. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash and cash equivalents, short-term investments and marketable securities, accounts receivable, restricted cash and accounts payable and accrued liabilities.

The Association is exposed to various risks through its financial instruments. The following provides information about the Association's risk exposure and concentration as of December 31, 2021.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk through its accounts receivable. Accounts receivable are generally the result of services to its members. The Association has a large number of members which reduces the concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources and accounts payable. It is management's opinion that this risk has been reduced due to the large cash reserves on hand at December 31, 2021.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association is exposed to market risk on its marketable securities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and investing activities. The Association is exposed to interest rate risk primarily through its interest bearing assets. The Association's cash and cash equivalents, restricted cash and short-term investments include amounts held by financial institutions that earn interest at market rates. The Association manages its risk by monitoring interest being earned on excess funds.

14. RESTATEMENT OF PRIOR YEAR'S FIGURES

There was a restatement of prior year balances to reflect a change to marketable securities. The effect of this restatement is that marketable securities have increased by \$151,688 in 2020 and revenue over expenses have decreased by \$6,995 for the unrealized loss on the value of the marketable securities and the 2020 opening unrestricted net asset balance increased by \$158,683.

THE ALBERTA ASSOCIATION OF ARCHITECTS
Schedule of Operating Activities
Year Ended December 31, 2021

(Schedule 1)

	2021	Restated (Note 14) 2020
REVENUES		
Annual dues	\$ 1,722,238	\$ 1,737,239
Unrealized gain (loss) on marketable securities	34,465	(6,995)
Interest income	30,763	79,556
Administration fees	19,800	49,500
Temporary Wage Subsidy	507	18,153
Other revenue	-	1,867
	<u>1,807,773</u>	<u>1,879,320</u>
EXPENSES		
Human resources	1,361,692	1,396,188
Duggan House operations	278,153	318,944
Council and committee	98,778	41,953
Amortization of property and equipment	53,912	56,433
Amortization of intangible assets	35,614	35,613
National levy	23,642	24,867
Bad debts	9,686	1,022
	<u>1,861,477</u>	<u>1,875,020</u>
REVENUE (UNDER) OVER FROM OPERATIONS	<u>\$ (53,704)</u>	<u>\$ 4,300</u>

THE ALBERTA ASSOCIATION OF ARCHITECTS**Schedule of Programs***(Schedule 2)***Year Ended December 31, 2021**

	2021	2020
REVENUES		
Communication and events	\$ 214,796	\$ 17,700
Professional development	143,727	309,669
Practice and complaint	124,977	10,000
Registration	83,417	69,358
	<u>566,917</u>	<u>406,727</u>
EXPENSES		
Practice and complaint	125,374	168,043
Bad debts on practice and complaint cases	114,453	-
Communications and events	49,683	23,103
Registration	20,331	18,841
Professional development	16,112	14,433
	<u>325,953</u>	<u>224,420</u>
REVENUE OVER EXPENSES FROM PROGRAMS	<u>\$ 240,964</u>	<u>\$ 182,307</u>