

THE ALBERTA ASSOCIATION OF ARCHITECTS
Financial Statements
Year Ended December 31, 2020

THE ALBERTA ASSOCIATION OF ARCHITECTS

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Year Ended December 31, 2020

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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, 2020, 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, 2020, 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 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.

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.

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:

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- 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 30, 2021

RSM Alberta LLP
Chartered Professional Accountants


THE ALBERTA ASSOCIATION OF ARCHITECTS

Statement of Financial Position


December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,721,732	\$ 398,331
Short-term investments (Note 3)	600,000	2,393,645
Accounts receivable (Note 4)	45,178	45,509
Prepaid expenses	29,677	80,726
	3,396,587	2,918,211
RESTRICTED CASH (Notes 3, 5)	2,951,830	2,898,916
TANGIBLE CAPITAL ASSETS (Note 6)	1,102,925	1,153,918
INTANGIBLE CAPITAL ASSETS (Note 7)	35,613	71,226
	\$ 7,486,955	\$ 7,042,271
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 186,535	\$ 229,213
Deferred contributions (Note 9)	1,856,321	1,562,562
	2,042,856	1,791,775
NET ASSETS		
Unrestricted (Note 10)	1,353,731	1,126,436
Invested in tangible and intangible capital assets	1,138,538	1,225,144
Internally restricted (Note 10)	2,951,830	2,898,916
	5,444,099	5,250,496
	\$ 7,486,955	\$ 7,042,271

APPROVED BY THE COUNCIL



President - Gordon Murray, 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, 2020

	2020	2019
REVENUES		
Operations (<i>Schedule 1</i>)	\$ 1,886,316	\$ 1,911,587
Programs (<i>Schedule 2</i>)	406,727	364,271
	2,293,043	2,275,858
EXPENSES		
Operations (<i>Schedule 1</i>)	1,875,020	1,808,240
Programs (<i>Schedule 2</i>)	224,420	376,822
	2,099,440	2,185,062
EXCESS OF REVENUES OVER EXPENSES	\$ 193,603	\$ 90,796

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS

Statement of Changes in Net Assets

Year Ended December 31, 2020

	Internally Restricted (Note 10)							2020	2019
	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		
NET ASSETS - BEGINNING OF YEAR	\$ 1,126,436	\$ 1,225,144	\$ 218,000	\$ 1,661,378	\$ 799,538	\$ 220,000	\$ 2,898,916	\$ 5,250,496	\$ 5,159,700
Excess (deficiency) of revenues over expenses	285,649	(92,046)	-	-	-	-	-	193,603	90,796
Invested in tangible and intangible capital assets	(5,440)	5,440	-	-	-	-	-	-	-
Transfers	(52,914)	-	6,000	24,921	11,993	10,000	52,914	-	-
NET ASSETS - END OF YEAR	\$ 1,353,731	\$ 1,138,538	\$ 224,000	\$ 1,686,299	\$ 811,531	\$ 230,000	\$ 2,951,830	\$ 5,444,099	\$ 5,250,496

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 193,603	\$ 90,796
Items not affecting cash:		
Amortization of intangible capital assets	35,613	51,082
Amortization of tangible capital assets	56,433	57,263
Accrued interest	(101,201)	(97,930)
Reclassification of investments to cash equivalents	2,300,833	-
	2,485,281	101,211
Changes in non-cash working capital <i>(Note 11)</i>	302,461	(36,906)
	2,787,742	64,305
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(5,440)	(20,716)
Proceeds from disposal of tangible capital assets	-	1,436
Purchase of short-term investments	(14,388,190)	(7,857,542)
Proceeds from redemption of short-term investments	13,929,289	7,543,101
	(464,341)	(333,721)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,323,401	(269,416)
Cash and cash equivalents - beginning of year	398,331	667,747
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,721,732	\$ 398,331

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of three months or less from the date of acquisition.

Short-term investments

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

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.

Long-term investments

Long-term investments are comprised of guaranteed investment certificates with maturity dates in excess of one year from the reporting period.

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.

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THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 membership dues 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 revenue are recognized as the services are provided and collectability is reasonably assured.

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

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. Actual results could differ from these estimates.

Financial instruments

Measurement of 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.

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THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, restricted cash and long-term investments.

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

Impairment

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.

3. SHORT-TERM INVESTMENTS AND RESTRICTED CASH

Short-term investments and restricted cash consist of six (2019 - seven) guaranteed investment certificates bearing interest from 0.45% to 0.64% per annum (2019 - 1.84% to 2.40%) maturing from January 2021 to March 2021 (2019 - January to December 2020).

4. ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivable	\$ 73,701	\$ 73,159
Allowance for doubtful accounts	(28,523)	(27,650)
	\$ 45,178	\$ 45,509

During the year, the Association recorded a bad debt expense of \$1,022 (2019 - \$27,465). The allowance for doubtful accounts includes a provision for discipline case penalties of \$27,501 (2019 - \$27,650).

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.

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 123,936	\$ -	\$ 123,936	\$ 123,936
Building and improvements	1,422,174	498,146	924,028	959,588
Furniture and equipment	139,620	89,882	49,738	55,112
Computer equipment	57,497	52,274	5,223	15,282
	\$ 1,743,227	\$ 640,302	\$ 1,102,925	\$ 1,153,918

7. INTANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net book value	2019 Net book value
Professional Development				
Online Reporting	\$ 46,406	\$ 46,406	\$ -	\$ -
Course software	\$ 106,840	\$ 71,227	\$ 35,613	\$ 71,226

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2020	2019
Goods and services tax payable	\$ 90,251	\$ 82,559

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	\$ 1,474,228	\$ 1,806,137	\$ 1,737,240	\$ 1,543,125
Registration fees	88,334	300,006	75,144	313,196
	\$ 1,562,562	\$ 2,106,143	\$ 1,812,384	\$ 1,856,321

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

10. NET ASSETS

Unrestricted

Council has designated 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 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 \$224,000.

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 \$24,921 (inclusive of the CPI) was approved to reach a balance of \$1,686,299.

Financial Stabilization Fund

The Financial Stabilization Fund was established to safeguard the Association against uncertainty and to provide for unexpected expenditures and new programs 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 \$11,993 (inclusive of the CPI) was approved in order to reach a balance of \$811,531.

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 original amount) was approved in order to reach a balance of \$230,000.

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

11. CHANGES IN NON-CASH WORKING CAPITAL

	2020	2019
Accounts receivable	\$ 331	\$ 17,485
Prepaid expenses	51,049	(23,758)
Accounts payable and accrued liabilities	(42,678)	(26,139)
Deferred contributions	293,759	(4,494)
	\$ 302,461	\$ (36,906)

12. RISK MANAGEMENT

The Association's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, restricted cash, long-term investments 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, 2020.

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, 2020.

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

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, restricted cash, short-term investments and long-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.

THE ALBERTA ASSOCIATION OF ARCHITECTS

Notes to Financial Statements

Year Ended December 31, 2020

13. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19.

As a result of the pandemic the Association has obtained the Temporary Wage Subsidy to assist with sustaining operations while adhering to safety measures to prevent the spread of COVID-19.

As of the date of these financial statements, the extent to which COVID-19 impacts the Association's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

THE ALBERTA ASSOCIATION OF ARCHITECTS

Schedule of Operating Activities

(Schedule 1)

Year Ended December 31, 2020

	2020	2019
REVENUES		
Annual dues	\$ 1,737,240	\$ 1,774,262
Interest	79,556	105,014
Administration fees and charges	49,500	28,400
Temporary Wage Subsidy	18,153	-
Other revenue	1,867	-
Government grants	-	2,475
Sale of furniture and fixtures	-	1,436
	1,886,316	1,911,587
EXPENSES		
Human resources	1,396,187	1,208,593
Duggan House operations	318,945	308,474
Amortization of tangible capital assets	56,433	57,264
Council and Committees	41,953	113,316
Amortization of intangible capital assets	35,613	51,082
National levy	24,867	42,046
Bad debts	1,022	27,465
	1,875,020	1,808,240
EXCESS OF REVENUES OVER EXPENSES	\$ 11,296	\$ 103,347

See notes to financial statements

THE ALBERTA ASSOCIATION OF ARCHITECTS

Schedule of Programs

(Schedule 2)

Year Ended December 31, 2020

	2020	2019
REVENUES		
Professional development	\$ 309,669	\$ 193,712
Registration	69,358	102,366
Communications and events	17,700	68,193
Practice and complaint	10,000	-
	406,727	364,271
EXPENSES		
Practice and complaint	168,043	206,422
Communications and events	23,103	79,977
Registration	18,841	32,334
Professional development	14,433	58,089
	224,420	376,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 182,307	\$ (12,551)

See notes to financial statements