



Financial Statements

Ontario Association of Architects

November 30, 2022

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Operations	3
Statement of Changes in Members' Equity	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17
Schedule of Expenses	18

Independent auditor's report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906

To the Members of
Ontario Association of Architects

Opinion

We have audited the financial statements of Ontario Association of Architects ("the Organization"), which comprise the statement of financial position as at November 30, 2022, 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 Ontario Association of Architects as at November 30, 2022, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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:

- 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 Organization'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 Organization'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 Organization 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization and the organizations it controls to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Grant Thornton LLP

Markham, Canada
March 2, 2023

Chartered Professional Accountants
Licensed Public Accountants

Ontario Association of Architects

Statement of Operations

Year ended November 30

2022

2021

Revenue

Annual membership fees	\$ 5,160,445	\$ 4,725,288
Other annual fees and related revenue	2,106,668	2,223,009
Rental and other income from Pro-Demnity Insurance Company (Note 6(b))	-	2,783
Investment income	176,070	39,373
Examination for Architects in Canada (ExAC) fees (Note 7)	333,811	69,522
Conference and annual meeting	628,109	111,420
Admission course fees	9,600	10,813
Continuing education	53,848	46,820
Practice management course	-	2,077
Sale of publications and other	21,075	21,189
Classifieds income	15,483	18,325
	<u>8,505,109</u>	<u>7,270,619</u>

Expenses (Schedule)

Salaries and related benefits	3,391,864	3,246,622
Direct program	2,564,850	1,239,471
Building, office services and operating	1,414,636	1,642,346
Legal fees	250,660	331,661
	<u>7,622,010</u>	<u>6,460,100</u>

Excess of revenue over expenses before other items **883,099** 810,519

Net income from investment in Pro-Demnity Insurance
Company (Note 6(a))

584,727 1,726,046

Excess of revenue over expenses

\$ 1,467,826 \$ 2,536,565

Ontario Association of Architects

Statement of Changes in Members' Equity

Year ended November 30

	Legal reserve (internally restricted)	Pro-Demnity Insurance Company (internally restricted)	Major capital reserve (internally restricted)	Operating reserve (internally restricted)	Property and equipment	Unrestricted	Total 2022	Total 2021
Balance, beginning of year	\$ 162,500	\$ 32,807,966	\$ 749,735	\$ 1,048,127	\$ 6,996,062	\$ 3,267,851	\$ 45,032,241	\$ 42,495,676
Excess (deficiency) of revenue over expenses	-	584,727	-	-	(694,487)	1,577,586	1,467,826	2,536,565
Invested in property and equipment	-	-	-	-	305,027	(305,027)	-	-
Repayment of long-term debt	-	-	-	-	193,830	(193,830)	-	-
Transfers								
To internally restricted funds	<u>40,000</u>	<u>-</u>	<u>500,491</u>	<u>100,000</u>	<u>-</u>	<u>(640,941)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 202,500</u>	<u>\$ 33,392,693</u>	<u>\$ 1,250,226</u>	<u>\$ 1,148,127</u>	<u>\$ 6,800,432</u>	<u>\$ 3,706,089</u>	<u>\$ 46,500,067</u>	<u>\$ 45,032,241</u>

See accompanying notes and schedule to the financial statements.

Ontario Association of Architects

Statement of Financial Position

November 30

2022

2021

Assets

Current

Cash	\$ 57,311	\$ 52,344
Short-term deposits	7,056,579	4,362,077
Accounts receivable (Note 4)	299,475	2,086,932
Receivable from Committee for the Examination for Architects in Canada (CExAC) (Note 7)	252,482	272,711
Inventories	14,502	18,112
Prepaid expenses	<u>389,848</u>	<u>639,927</u>
	8,070,197	7,432,103
Property and equipment (Note 5)	11,096,992	11,486,452
Investment in Pro-Demnity Insurance Company (Note 6(a))	<u>33,392,693</u>	<u>32,807,966</u>
	<u>\$ 52,559,882</u>	<u>\$ 51,726,521</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 265,686	\$ 581,546
Payable to Committee for the Examination for Architects in Canada (CExAC) (Note 7)	666,789	911,487
Deferred revenue (Note 9)	830,780	710,857
Current portion of long-term debt (Note 10)	<u>193,830</u>	<u>193,830</u>
Current liabilities before callable debt	1,957,085	2,397,720
Callable portion of long-term debt (Note 10)	<u>4,102,730</u>	<u>4,296,560</u>
	<u>6,059,815</u>	<u>6,694,280</u>

Members' equity

Invested in:

Pro-Demnity Insurance Company (internally restricted)	33,392,693	32,807,966
Major capital reserve (internally restricted)	1,250,226	749,735
Operating reserve (internally restricted)	1,148,127	1,048,127
Legal reserve (internally restricted)	202,500	162,500
Property and equipment	6,800,432	6,996,062
Unrestricted	<u>3,706,089</u>	<u>3,267,851</u>
	<u>46,500,067</u>	<u>45,032,241</u>
	<u>\$ 52,599,882</u>	<u>\$ 51,726,521</u>

On behalf of the Council

_____ Settimo Vilardi, Senior Vice President and Treasurer

_____ Kristi Doyle, Executive Director

Ontario Association of Architects

Statement of Cash Flows

Year ended November 30

2022

2021

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 1,467,826	\$ 2,536,565
Items not affecting cash		
Amortization of property and equipment	694,487	742,449
Net income from investment in Pro-Demnity Insurance Company	<u>(584,727)</u>	<u>(1,726,046)</u>
	<u>1,577,586</u>	<u>1,552,968</u>

Change in non-cash working capital items

Accounts receivable	1,787,457	(2,017,448)
Receivable from CExAC	20,229	36,950
Inventories	250,079	(1,174)
Prepaid expenses	3,610	(131,057)
Accounts payable and accrued liabilities	(315,860)	361,598
Payable to CExAC	(244,698)	(38,256)
Deferred revenue	<u>119,923</u>	<u>131,322</u>
	<u>1,620,740</u>	<u>(1,658,065)</u>
	<u>3,198,326</u>	<u>(105,097)</u>

Investing

Purchase of short-term deposits	(11,933,541)	(5,436,123)
Proceeds on disposal of short-term deposits	9,239,039	6,004,430
Purchase of property and equipment	<u>(305,027)</u>	<u>(522,271)</u>
	<u>(2,971,529)</u>	<u>46,036</u>

Financing

Advances from long-term debt	-	4,555,000
Repayment of long-term debt	<u>(193,830)</u>	<u>(4,704,156)</u>
	<u>(193,830)</u>	<u>(149,156)</u>

Net increase (decrease) in cash during the year

4,967 (208,217)

Cash

Beginning of year	<u>52,344</u>	<u>260,561</u>
End of year	<u>\$ 57,311</u>	<u>\$ 52,344</u>

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

1. Purpose of the Ontario Association of Architects

Ontario Association of Architects (the “Association” or “OAA”) regulates the practice of architecture and governs its members in accordance with the Architects Act. The Association is a non-profit organization under the Income Tax Act and is therefore not subject to either federal or provincial income taxes.

2. Role of auditors and the Audit Committee

The external auditors have been appointed by the members pursuant to the Architects Act. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian auditing standards and report thereon to the members. The independent auditor’s report outlines the scope of their audit and their opinion.

The principal responsibilities of the Audit Committee are to see that accounting policies and internal controls are established and followed, and that the Association issues financial statements that are balanced and present a reasonable assessment of its financial position.

3. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below:

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

The investment in Pro-Demnity Insurance Company (“Pro-Demnity”) and net income from OAA’s investment in Pro-Demnity Insurance Company are subject to significant management estimate as a result of Pro-Demnity’s provision for unpaid claims. There are several sources of uncertainty that are considered by Pro-Demnity in estimating the amount that will ultimately be paid on these claims. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in the severity or frequency of claims from historical trends.

Financial instruments

The Association’s financial instruments comprise cash, short-term deposits, accounts receivable, receivable from CExAC, accounts payable, payable to CExAC and long-term debt.

Financial assets and financial liabilities are initially recognized at their fair value.

The Association subsequently measures all financial assets and financial liabilities at amortized cost. The carrying value of cash, short-term deposits, accounts receivable, and accounts payable approximate fair value due to their short-term nature.

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

3. Summary of significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of cost and net realizable value and are relieved on a first-in, first-out basis.

Property and equipment

Property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following rates:

Building	40 years
Building additions	10-20 years
Furniture and equipment	10 years
Computer equipment	5 years
Website and database costs	5 years

All costs related to the building review and improvements were expensed until such time that the renovation plan was formally approved. Costs subsequently incurred related to direct construction or development costs, such as materials and labour, are capitalized.

Impairment of long-lived assets

Long-lived assets, including property and equipment subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Investment in Pro-Demnity Insurance Company

The investment in Pro-Demnity, a wholly-owned subsidiary, is accounted for using the equity method whereby the initial investment is recorded at cost and is subsequently adjusted to reflect the Association's pro-rata share of post-acquisition earnings and capital transactions of Pro-Demnity. Details of Pro-Demnity are disclosed in Note 6.

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

3. Summary of significant accounting policies (continued)

Members' equity

The Association's Council can internally restrict members' equity to be held for specific purposes. These internally restricted amounts are not available for other purposes without the approval of Council. Members' equity comprises:

(a) Invested in Pro-Demnity Insurance Company (internally restricted)

Members' equity in Pro-Demnity represents the Association's investment in Pro-Demnity accounted for using the equity method.

(b) Invested in major capital reserve (internally restricted)

The major capital reserve represents amounts internally restricted by Council for major capital maintenance, repair or replacement that cannot be otherwise funded in a single budget year through the OAA's existing annual operating budget.

(c) Invested in operating reserve (internally restricted)

The operating reserve represents amounts internally restricted by Council to ensure the stability of ongoing operations of the organization.

(d) Invested in legal reserve (internally restricted)

The legal reserve fund represents amounts internally restricted by Council to provide a source of sustained funding for the legal costs related to Discipline and Act Enforcement that cannot be otherwise funded in a single budget year through the OAA's existing annual operating budget.

(e) Invested in property and equipment

Members' equity invested in property and equipment represents the net book value of property and equipment less any indebtedness thereon.

(f) Unrestricted

Unrestricted members' equity represents the net resources of the Association not internally restricted or related to the Association's net investment in its property and equipment.

Revenue recognition

Annual membership fees and other annual fees are recognized as revenue over the period to which they relate. Deferred revenue represents annual membership fees, sponsorships, continuing education and exam fees received in advance.

Conference and annual meeting, rental revenues, admission course fees and classifieds income are recognized as income when the service is provided. Continuing education, Examination for Architects in Canada (ExAC) fees, and practice management course fees are recognized at the time that the course and exam, respectively, are delivered. Publication sales are recognized when the goods have been delivered.

Investment income is recorded as revenue in the year it is earned.

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

3. Summary of significant accounting policies (continued)

Donated services

The work of the Association benefits from the voluntary services of many members. Since their services are not normally purchased by the Association and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

Capital disclosures

The Association's capital comprises members' equity.

The Council's objective is to maintain an unrestricted balance sufficient to meet both the annual working capital requirements and the annual maintenance of the property and equipment. The annual budget is prepared by the Association's staff and reviewed by the Senior Vice President and Treasurer, and Budget Committee. The Senior Vice President and Treasurer, and Budget Committee present the budget to Council for approval. Monthly financial results are monitored by the Senior Vice President and Treasurer, and reported to Council quarterly.

Pro-Demnity was created by the Association for the purpose of being an insurer dedicated to the underwriting of architects' liability coverages. The Association is the sole shareholder. Council reviews the financial results of Pro-Demnity to ensure it is meeting its objective. Pro-Demnity provides the Association with an annual budget and strategy. Financial results are provided by Pro-Demnity and reviewed by Council on a quarterly basis. In addition, three Council members of the Association are members of the Board of Directors of Pro-Demnity.

The purpose of the operating reserve is to ensure the stability of the mission, programs, employment, and ongoing operations of the Association in the event of a sudden or unexpected negative change in revenue that would affect the provision of services to members.

The operating reserve is intended to provide an internal source of funds for situations such as a sudden unforeseen increase in expenses, one-time unbudgeted expense, unanticipated loss in funding, or uninsured loss and gaps in cash flow resulting from the uneven receipt of revenue relative to expenses within the budget year. The operating reserve may also be used for one-time, nonrecurring expenses that would build long-term capacity, such as staff development or education, research and development, or investment in infrastructure. It is to be stressed that such development is expected to be extraordinary and not be a source of continuing education or planned development.

The purpose of the major capital reserve is to provide a source of sustained funding for capital maintenance and repair as well as capital improvements that cannot be otherwise funded in a single budget year through the OAA's existing annual operating budget for repair and maintenance of the building.

The purpose of the legal reserve fund is to provide an internal source of sustained funding for the legal costs related to Discipline and Act Enforcement that cannot be otherwise funded in a single budget year through OAA's existing annual operating budget for meeting the Association's requirements to govern the profession in order that the public interest be protected. The reserve is not intended to provide funding for insurable losses, nor for operating expenses but is strictly reserved for legal expenses that cannot otherwise be funded.

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

4. Accounts receivable

	<u>2022</u>	<u>2021</u>
Miscellaneous receivables	\$ 52,454	\$ 101,080
GST/HST	166,183	1,985,852
Accrued interest	<u>80,838</u>	<u>-</u>
	<u>\$ 299,475</u>	<u>\$ 2,086,932</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 470,000	\$ -	\$ 470,000	\$ 470,000
Building	10,929,938	2,087,392	8,842,546	9,115,794
Building additions	2,453,179	1,509,105	944,074	1,046,369
Furniture and equipment	553,123	270,473	282,650	328,959
Computer equipment	1,110,112	659,943	450,169	410,718
Website and database costs	<u>472,321</u>	<u>364,768</u>	<u>107,553</u>	<u>114,612</u>
	<u>\$ 15,988,673</u>	<u>\$ 4,879,381</u>	<u>\$ 11,096,992</u>	<u>\$ 11,486,452</u>

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

6. Pro-Demnity Insurance Company

(a) The Association's wholly-owned subsidiary, Pro-Demnity, has not been consolidated in these financial statements but accounted for using the equity method (Note 3). The Association's investment in Pro-Demnity is as follows:

	<u>2022</u>	<u>2021</u>
Investment in Pro-Demnity, beginning of year	<u>\$ 32,807,966</u>	<u>\$ 31,081,920</u>
Net income of Pro-Demnity for the year ended December 31	4,041,127	1,813,372
Other comprehensive (loss) income for the year ended December 31	<u>(3,456,400)</u>	<u>(87,326)</u>
Comprehensive income	<u>584,727</u>	<u>1,726,046</u>
Investment in Pro-Demnity, end of year	<u>\$ 33,392,693</u>	<u>\$ 32,807,966</u>

A financial summary of Pro-Demnity as at December 31 (its fiscal year end) is as follows:

	<u>2022</u>	<u>2021</u>
Financial position		
Total assets	<u>\$ 157,233,395</u>	<u>\$ 147,327,899</u>
Total liabilities	<u>\$ 118,834,200</u>	<u>\$ 109,513,433</u>
Shareholder's equity	<u>38,399,195</u>	<u>37,814,466</u>
	<u>\$ 157,233,395</u>	<u>\$ 147,327,899</u>
Results of operations		
Net premiums earned and service charges	\$ 23,779,598	\$ 21,666,723
Net claims and claim adjustment expenses incurred	<u>12,893,813</u>	<u>16,783,639</u>
Underwriting income before expenses and premium tax	10,885,785	4,883,084
Operating expenses and premium tax	<u>7,500,158</u>	<u>5,242,041</u>
Net underwriting income (loss)	3,385,627	(358,957)
Net investment income	1,277,072	2,619,910
Other Income	829,976	4,856
Income before income taxes	5,492,675	2,265,809
Income taxes	<u>1,451,548</u>	<u>452,437</u>
Net income for the year	4,041,127	1,813,372
Other comprehensive (loss) income for the year	<u>(3,456,400)</u>	<u>(87,326)</u>
Comprehensive income for the year	<u>\$ 584,727</u>	<u>\$ 1,726,046</u>

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

6. Pro-Demnity Insurance Company (continued)

	<u>2022</u>	<u>2021</u>
Cash flows		
Cash flows from operating activities	\$ 10,916,211	\$ 8,637,132
Cash flows from investing activities	(4,804,063)	(5,298,263)
Cash flows from financing activities	<u>(103,158)</u>	<u>(78,163)</u>
Net increase in cash	<u>\$ 6,008,990</u>	<u>\$ 3,260,706</u>

(b) Rental and other income from Pro-Demnity comprises:

	<u>2022</u>	<u>2021</u>
PCS transfer	\$ -	\$ 2,783

All transactions are recorded at their exchange amount.

7. Examination for Architects in Canada (ExAC)

The Association has entered into an agreement with the ten other provincial and territorial associations to manage the ExAC examination process and the associated Committee for the Examination for Architects in Canada (CExAC). The agreement outlines how revenues are to be allocated and how costs, primarily related to the development of the exam, are to be recovered. The Association has been appointed to act as the administrator of the program.

The amounts included in the financial statements are as follows:

	<u>2022</u>	<u>2021</u>
Accounts receivable (jurisdiction exam fees to be received in 2023)	<u>\$ 252,482</u>	<u>\$ 272,711</u>
Accounts payable (represents the CExAC Maintenance Fund Account balance to cover 2023 expenses and approved reserve)	<u>\$ 666,789</u>	<u>\$ 911,487</u>
Association's portion of jurisdictional exam fees (included in ExAC fees revenue for February and November 2022 exams)	<u>\$ 333,811</u>	<u>\$ 69,522</u>
Association's portion of jurisdictional exam fees (included in deferred revenue due to deferral of exam in 2021 to 2022)	<u>\$ -</u>	<u>\$ 63,066</u>
Association's ExAC exam administration (included in Schedule of Expense - direct program expense for February and November 2022 exams)	<u>\$ 201,156</u>	<u>\$ 14,595</u>

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

8. Ontario Association for Applied Architectural Sciences

In 2011, the Association assumed 100% control of Ontario Association for Applied Architectural Sciences (OAAAS). OAAAS recognizes technologists in the building discipline. OAAAS offers a program that allows qualified individual technologists who are focused in building design to advance their professional status. Ultimately, through licensure by the Association, qualified members will be able to perform certain architectural services. A Licensed Technologist OAA may design larger restaurants, taller houses and taller low-rise apartment buildings.

The program recognizes three categories of building designers: Associate OAAAS, Technologist OAAAS, and Licensed Technologist OAA.

On June 30, 2022, OAAAS was dissolved and administration of the OAA Technology Program was integrated into the operation of the OAA. The nominal cash balance remaining prior to dissolution was transferred to OAA on dissolution.

9. Deferred revenue

	<u>2022</u>	<u>2021</u>
Annual membership fees, sponsorships, and Continuing Education fees	\$ 830,780	\$ 647,791
ExAC exam fee revenue	<u>-</u>	<u>63,066</u>
	<u>\$ 830,780</u>	<u>\$ 710,857</u>

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

10. Long-term debt

In June 2021, the Association entered in to a demand, non-revolving, five-year fixed interest rate term loan of \$4,555,000. The loan is secured by a first-priority fixed charge in the amount of \$4,555,000 over the real property at 111 Moatfield Drive, and a general security agreement.

	<u>2022</u>	<u>2021</u>
Demand, non-revolving loan, bearing a five year fixed rate interest at 2.19% per annum, payable in monthly instalments of \$16,152 plus interest, due July 2026.	\$ 4,296,560	\$ 4,490,390
Less current portion	<u>(193,830)</u>	<u>(193,830)</u>
Callable portion	<u>\$ 4,102,730</u>	<u>\$ 4,296,560</u>

The loan is repayable on demand from the lender and therefore must be classified as a current liability. Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded, regular principal payments required on all long-term debt are due as follows:

2023	\$ 193,830
2024	193,830
2025	193,830
2026 and thereafter	<u>3,715,070</u>
	<u>\$ 4,296,560</u>

During the year, interest paid on the loan was \$96,042 (2021- \$31,860).

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

11. Building initiative

Included in Council, committees, task groups (Schedule of Expenses) are costs of \$222,000 (2021 - \$Nil) incurred for final costs related to the building initiative. Of this amount, a \$117,000 was related to a reallocation of previously capitalized costs to expenses. Total building renovation costs capitalized was reduced by the \$117,000. All costs capitalized to date on the project have been funded by the major capital reserve fund.

Total cumulative costs are as follows:

	<u>2022</u>	<u>2021</u>
Building renovation costs expensed	\$ 721,579	\$ 499,579
Building renovation costs capitalized	<u>9,191,302</u>	<u>9,308,302</u>
	<u>\$ 9,912,881</u>	<u>\$ 9,807,881</u>

12. Employee future benefits

The Association provides a defined contribution pension plan for voluntary participants. Total employer contributions were \$104,525 (2021 - \$92,262). There are no further funding requirements.

13. Trust funds

The Association holds in trust the following funds, which have not been included in these financial statements:

	<u>2022</u>	<u>2021</u>
Architectural Guild Prize Fund	\$ 2,810	\$ 3,710
Ontario Association of Architects Trust Fund Scholarships	16,144	16,061
Plachta Fund	<u>107,474</u>	<u>112,665</u>
	<u>\$ 126,428</u>	<u>\$ 132,436</u>

Income from grants and interest of \$53,062 (2021 - \$37,013) were recognized during the year. Prizes and medals of \$59,070 (2021 - \$24,520) were paid during the year.

Ontario Association of Architects

Notes to Financial Statements

November 30, 2022

14. 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.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with an organization. The Association's main credit risk relates to its accounts receivable and its receivable from CExAC. The Association provides for its exposure to credit risk by dealing with counterparties it believes to be credit worthy, and by creating an allowance for doubtful accounts when appropriate. As at November 30, 2022, the allowance for doubtful accounts is \$Nil (2021 - \$Nil).

Interest risk

Interest rate price risk is the risk that the fair value of a fixed interest bearing financial instrument will fluctuate due to changes in market interest rates. Interest rate cash flow risk is the risk that the cash flows of the Association will fluctuate due to changes in market interest rates on variable interest bearing financial instruments. The Association is subject to interest rate price risk on its short-term deposits, and its fixed interest rate long-term debt. It is management's opinion that the Association is not exposed to significant interest rate risks arising from its financial instruments.

Market risk

The Association is exposed to certain market risks which cause the fair value of investments to fluctuate. To protect against this risk, management has developed an investment policy which requires investments to meet specific requirements. As a result, it is management's opinion that the Association is not exposed to significant market risk arising from financial instruments.

Currency risk

Currency risk is the risk to the Association's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the Association is not exposed to significant currency risk arising from its financial instruments as the number of foreign exchange transactions is limited.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Association is exposed to liquidity risk mainly in respect to its current liabilities and long-term debt.

The Association manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. As a result, it is management's opinion that the Association is not exposed to significant liquidity risk arising from its financial instruments.

Ontario Association of Architects

Schedule of Expenses

Year ended November 30

2022

2021

Salaries and related benefits	\$ 3,391,864	\$ 3,246,622
Direct program		
Conference	932,732	140,871
Council, committees, task groups	786,709	467,969
Communications/public information	183,216	203,752
Media relations program	1,920	27,962
Society funding and other contributions	237,940	141,513
Liaison with Government and other	67,134	85,051
Continuing education	104,816	90,107
Examination for Architects in Canada (Note 7)	201,156	14,595
Admission course	15,542	8,435
Member and practice surveys	4,821	31,548
Uncollectible accounts	28	142
Sale of publications and other	28,836	21,493
Practice consultation service	-	6,033
	<u>2,564,850</u>	<u>1,239,471</u>
Building, office services and operating		
Building		
Interest and fees on long-term debt	98,239	362,425
Other building expenses	170,210	162,208
Amortization of property and equipment		
Computer equipment	192,476	165,699
Building additions	110,490	181,675
Building	273,248	273,248
Website and database costs	68,321	67,667
Furniture and equipment	49,952	54,160
OAAAS (Note 8)	119,593	53,130
Printing and office supplies	56,060	80,045
Computer	107,421	72,594
Insurance	45,461	44,128
Telephone, internet access/hosting	52,076	50,837
Postage	25,015	18,810
Professional fees	30,616	40,525
Fees processing charges	15,458	15,195
	<u>1,414,636</u>	<u>1,642,346</u>
Legal fees		
Prosecutions and injunctions	81,458	74,210
Discipline hearings and appeals	54,600	132,341
General	114,602	125,110
	<u>250,660</u>	<u>331,661</u>
	<u>\$ 7,622,010</u>	<u>\$ 6,460,100</u>

See accompanying notes to the financial statements.