



Non-consolidated Financial Statements

Ontario Association of Architects

November 30, 2023

# Contents

	<b>Page</b>
Independent Auditor's Report	1 - 2
Non-consolidated Statement of Operations	3
Non-consolidated Statement of Changes in Members' Equity	4
Non-consolidated Statement of Financial Position	5
Non-consolidated Statement of Cash Flows	6
Notes to Non-consolidated Financial Statements	7 - 16
Schedule of Expenses	17

# Independent auditor's report

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To the Members of  
Ontario Association of Architects

## Opinion

We have audited the non-consolidated financial statements of Ontario Association of Architects (the "Association"), which comprise the non-consolidated statement of financial position as at November 30, 2023, and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Association as at November 30, 2023, 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 Non-consolidated 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 non-consolidated 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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.

## Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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 Association and the organizations/enterprises it controls to express an opinion on the non-consolidated 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*

Mississauga, Canada  
March 15, 2024

Chartered Professional Accountants  
Licensed Public Accountants

# Ontario Association of Architects

## Non-consolidated Statement of Operations

Year ended November 30

2023

2022  
(Restated  
Note 5)

Revenue		
Annual membership fees	\$ 5,195,772	\$ 5,160,445
Other annual fees and related revenue	2,455,807	2,106,668
Investment income	509,165	176,070
Conference and annual meeting	378,442	628,109
Continuing education	107,750	53,848
Sale of publications and other	21,998	21,075
Classifieds income	20,325	15,483
Admission course fees	10,255	9,600
Practice management course	9,015	-
Rental and other income from Pro-Demnity Insurance Company (Note 5(b))	8,509	-
Building rental income	4,950	-
Net examination for Architects in Canada (ExAC) fees (Note 7)	(102,394)	333,811
	<u>8,619,594</u>	<u>8,505,109</u>
Expenses (Schedule 1)		
Salaries and related benefits	4,012,208	3,391,864
Direct program	1,806,263	2,564,850
Building, office services and operating	1,374,549	1,414,636
Legal fees	300,650	250,660
	<u>7,493,670</u>	<u>7,622,010</u>
Excess of revenue over expenses before other items	1,125,924	883,099
AATO court order costs and contingency (Note 9)	(507,950)	-
Investment income from Pro-Demnity Insurance Company (Note 5(a))	9,820,000	5,860,000
Excess of revenue over expenses	<u>\$ 10,437,974</u>	<u>\$ 6,743,099</u>

# Ontario Association of Architects

## Non-consolidated Statement of Changes in Members' Equity

Year ended November 30

	Legal reserve (internally restricted)	Pro-Demnity Insurance Company (internally restricted) (Note 5)	Major capital reserve (internally restricted)	Operating reserve (internally restricted)	Property and equipment	Unrestricted	Total 2023 (Note 5)	Total 2022 (Restated Note 5)
Balance, beginning of year, as previously stated	\$ 202,500	\$ 39,096,966	\$ 1,250,226	\$ 1,148,127	\$ 6,800,432	\$ 3,706,089	\$ 52,204,340	\$ 45,032,241
Impact of change in accounting policies (Note 5)	-	(779,000)	-	-	-	-	(779,000)	429,000
Balance, beginning of year, as restated	202,500	38,317,966	1,250,226	1,148,127	6,800,432	3,706,089	51,425,340	45,461,241
Excess (deficiency) of revenue over expenses	-	9,820,000	-	-	(690,002)	1,307,976	10,437,974	6,743,099
Invested in property and equipment	-	-	-	-	671,370	(671,370)	-	-
Repayment of long-term debt	-	-	-	-	193,830	(193,830)	-	-
Transfers								
To internally restricted funds	83,000	-	326,000	210,000	-	(619,000)	-	-
Balance, end of year	\$ 285,500	\$ 48,137,966	\$ 1,576,226	\$ 1,358,127	\$ 6,975,630	\$ 3,529,865	\$ 61,863,314	\$ 52,204,340

See accompanying notes and schedule to the non-consolidated financial statements.

# Ontario Association of Architects

## Non-consolidated Statement of Financial Position

November 30

2023

2022  
(Restated  
Note 5)

### Assets

#### Current

Cash	\$ 244,617	57,311
Short-term deposits	7,624,698	7,056,579
Accounts receivable (Note 3)	299,973	299,475
Receivable from Committee for the Examination for Architects in Canada (CExAC) (Note 7)	271,260	252,482
Inventories	12,027	14,502
Prepaid expenses	<u>397,935</u>	<u>389,848</u>
	<b>8,850,510</b>	8,070,197
Property and equipment (Note 4)	11,078,359	11,096,992
Investment in Pro-Demnity Insurance Company (Note 5(a))	<u>48,137,966</u>	<u>39,096,966</u>
	<b><u>\$ 68,066,835</u></b>	<b><u>58,264,155</u></b>

### Liabilities

#### Current

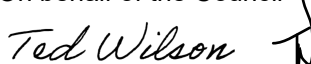
Accounts payable and accrued liabilities	\$ 640,466	\$ 265,686
Payable to Committee for the Examination for Architects in Canada (CExAC) (Note 7)	746,616	666,789
Deferred revenue	713,709	830,780
Debt (Note 8)	<u>4,102,730</u>	<u>4,296,560</u>
Current liabilities	<b>6,203,521</b>	6,059,815
	<b><u>6,203,521</u></b>	<b><u>6,059,815</u></b>

### Members' equity

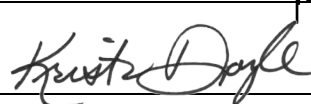
#### Invested in:

Pro-Demnity Insurance Company (internally restricted)	48,137,966	39,096,966
Major capital reserve (internally restricted)	1,576,226	1,250,226
Operating reserve (internally restricted)	1,358,127	1,148,127
Legal reserve (internally restricted)	285,500	202,500
Property and equipment	6,975,630	6,800,433
Unrestricted	<u>3,529,865</u>	<u>3,706,089</u>
	<b><u>61,863,314</u></b>	<b><u>52,204,340</u></b>
	<b><u>\$ 68,066,835</u></b>	<b><u>\$ 58,264,155</u></b>

On behalf of the Council

  
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William (Ted) Wilson, Senior Vice President and Treasurer

  
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Kristi Doyle, Executive Director

# Ontario Association of Architects

## Non-consolidated Statement of Cash Flows

Year ended November 30

2023

2022  
(Restated  
Note 5)

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenue over expenses	<b>\$ 10,437,974</b>	\$ 6,743,099
Items not affecting cash		
Amortization of property and equipment	<b>690,002</b>	694,487
Investment income from Pro-Demnity Insurance Company (Note 5)	<b>(9,820,000)</b>	(5,860,000)
	<b><u>1,307,976</u></b>	<u>1,577,586</u>

Change in non-cash working capital items

Accounts receivable	<b>(498)</b>	1,787,457
Receivable from CExAC	<b>(18,778)</b>	20,229
Inventories	<b>(8,087)</b>	250,079
Prepaid expenses	<b>2,475</b>	3,610
Accounts payable and accrued liabilities	<b>374,780</b>	(315,860)
Payable to CExAC	<b>79,827</b>	(244,698)
Deferred revenue	<b>(117,071)</b>	119,923
	<b><u>312,648</u></b>	<u>1,620,740</u>

**1,620,625**      3,198,326

### Investing

Purchase of short-term deposits	<b>(7,149,486)</b>	(11,933,541)
Proceeds on disposal of short-term deposits	<b>6,581,366</b>	9,239,039
Purchase of property and equipment	<b>(671,370)</b>	(305,027)
	<b><u>(1,239,489)</u></b>	<u>(2,971,529)</u>

### Financing

Repayment of debt	<b>(193,830)</b>	(193,830)
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Net increase in cash during the year

**187,306**      4,967

Cash

    Beginning of year      57,311      52,344

    End of year      **\$ 244,617**      **\$ 57,311**



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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 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.

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### 2. Summary of significant accounting policies

The non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”), with its more significant accounting policies outlined below:

#### 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 from short-term deposits is recorded as revenue in the year it is earned.

#### Investment in Pro-Demnity Insurance Company

The investment in Pro-Demnity Insurance Company (“Pro-Demnity” or the “Company”), a wholly-owned and controlled profit-oriented enterprise, 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, changes in accounting policies, and capital transactions of Pro-Demnity. Distributions received from Pro-Demnity would reduce the carrying value of the investment. Details of the investment in Pro-Demnity are disclosed in Note 5.

#### Use of estimates

The preparation of non-consolidated 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 non-consolidated financial statements and the reported amounts of revenue and expenses during the year. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made to excess of revenue over expenditures as appropriate in the year they become known.

The investment in 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.

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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 2. Summary of significant accounting policies (continued)

#### Use of estimates (Continued)

Other items subject to significant management estimates include useful life of property and equipment.

#### Financial instruments held by the Association

##### *Financial instruments in arm's length transactions*

The Association considers any of its contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Association accounts for the following financial instruments from arm's length transactions:

- cash
- short-term deposits
- accounts receivable
- accounts payable
- debt

A financial assets or liability is recognized when the Association becomes party to contractual provisions of the instrument.

##### *Initial measurement*

Financial assets or liabilities in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Financing fees and transaction costs on financial instruments subsequently measured at fair value are expensed as incurred.

##### *Subsequent measurement*

The Association subsequently measures all of its financial assets and financial liabilities from arm's length transactions at cost or amortized cost less any reduction for impairment.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in excess of revenue over expenditures.

The Company removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

##### *Financial instruments in related party transactions*

Financial assets and financial liabilities in related party transactions are initially measured at cost. The Association does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments held by the Association (continued)

Gains or losses arising on initial measurement differences are generally recognized in net loss when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Association initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets.

#### Short-term deposits

Short-term deposits consist of guaranteed investment certificates with annual interest rates ranging from 5% to 5.25% and maturing on July 2, 2024, and a premier investment account with interest rates with annual interest rates of 4.95%.

#### Inventories

Inventories are recorded at the lower of cost and net realizable value and are relieved on a first-in, first-out basis. Net realizable value is defined as the estimated selling price in the ordinary course of business, less estimated costs to sell. Cost consists of the purchase price.

#### 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 recorded 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	3-8 years
Website and database costs	5 years

#### 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. As at November 30, 2023, the Association determined that no circumstances exist that would require such an evaluation.

#### 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:

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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 2. Summary of significant accounting policies (continued)

#### Members' equity (continued)

- (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 Association.

- (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.

#### Donated services

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.

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### 3. Accounts receivable

	<u>2023</u>	<u>2022</u>
Miscellaneous receivables	\$ 98,420	\$ 52,454
GST/HST	49,691	166,183
Accrued interest	<u>151,862</u>	<u>80,838</u>
	<u>\$ 299,973</u>	<u>\$ 299,475</u>

# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

### 4. Property and equipment

			<u>2023</u>	<u>2022</u>
	<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	10,939,466	(2,360,879)	8,578,587	8,842,546
Building additions	2,638,325	(1,625,780)	1,012,545	944,074
Furniture and equipment	577,498	(320,914)	256,584	282,650
Computer equipment	1,519,338	(841,381)	677,957	450,169
Website and database costs	515,415	(432,729)	82,687	107,553
	<u>\$ 16,660,043</u>	<u>\$ (5,581,683)</u>	<u>\$ 11,078,359</u>	<u>\$ 11,096,992</u>

### 5. Pro-Demnity Insurance Company

Pro-Demnity Insurance Company ("Pro-Demnity") was incorporated under the laws of Ontario on August 9, 2002. The Company is an insurer dedicated to the underwriting of architects' liability coverages. The Company is licensed in Ontario and the Company's registered head office is 160 Bloor Street East, Suite 1001, Toronto, Ontario.

- (a) Pro-Demnity, a profit-oriented enterprise that is wholly owned and controlled by the Association, is accounted for using the equity method. Pro-Demnity maintains its books and records, and prepares its stand-alone financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). To determine the December 31 carrying value of the investment in Pro-Demnity and the related investment income for the year then ended, the Association adjusts the reported amounts of Pro-Demnity's financial position and results of operations for differences between IFRS Accounting Standards and ASNPO and, where applicable, other accounting policy differences, so that the policies conform with those of the Association.

As ASNPO does not include guidance on the accounting for insurance contracts, the Association's accounting policies related to insurance contracts and financial instruments of an insurer (the accounting for which is closely intertwined) are based on the guidance in IFRS Accounting Standards. As such, no adjustments are made by the Association to the reported amounts of Pro-Demnity's financial position and results of operations related to accounting for insurance contracts or financial instruments for purposes of determining the carrying value of the investment in Pro-Demnity, the related investment income recognized by the Association or the Pro-Demnity balances disclosed below.

In prior years, accounting policies for insurance contracts and financial instruments of an insurer were based on the guidance in IFRS 4 *Insurance Contracts* and IAS 39 *Financial Instruments: recognition and measurement*, respectively. However, IFRS 17 *Insurance Contracts* replaced IFRS 4 for periods beginning on or after January 1, 2023, and insurance companies were required to concurrently adopt IFRS 9 *Financial Instruments*. Pro-Demnity applied both IFRS 17 and IFRS 9 for the first time in its current fiscal period ended December 31, 2023. As a result, the Association also changed its accounting policies for insurance contracts and financial instruments of an insurer to bring them in line with the policies in Pro-Demnity, which comply with IFRS 17 and IFRS 9, respectively.

# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

### 5. Pro-Demnity Insurance Company (continued)

As permitted by the transition provisions in IFRS 17, the Association adopted the new accounting policy for insurance contracts using the full retrospective approach, meaning that comparative information for fiscal 2022 was restated. Alternatively, as permitted by the transition provisions in IFRS 9, the Association adopted the accounting policy for financial instruments held by insurance companies prospectively, with measurement differences reflected in the balance for the Investment in Pro-Demnity at December 1, 2022.

The Association's investment in Pro-Demnity, adjusted for impacts of applying the revised accounting policies on insurance contracts and financial instruments held by insurance companies, is as follows:

	<u>2023</u>	<u>2022</u> (Restated)
Investment in Pro-Demnity, beginning of year as previously stated	<b>\$ 39,096,996</b>	\$ 32,807,966
Impact from change in accounting policy on insurance contracts issued	-	429,000
Impact from change in accounting policy on financial instruments held by insurance companies	<b>(779,000)</b>	-
Investment in Pro-Demnity, beginning of year as restated	<b><u>38,317,966</u></b>	<u>33,236,966</u>
Comprehensive income	<b><u>9,820,000</u></b>	<u>5,860,000</u>
Investment in Pro-Demnity, end of year	<b><u>\$ 48,137,966</u></b>	<b><u>\$ 39,096,966</u></b>

A financial summary of Pro-Demnity's financial position as at December 31 (its fiscal year end) and the results of operations for the year then ended is as follows:

	<u>2023</u>	<u>2022</u>
Financial position		
Total assets	<b><u>\$ 165,748,000</u></b>	<u>\$ 144,490,000</u>
Total liabilities	<b><u>\$ 115,287,000</u></b>	<u>\$ 103,842,000</u>
Shareholder's equity	<b><u>50,461,000</u></b>	<u>40,648,000</u>
	<b><u>\$ 165,748,000</u></b>	<b><u>\$ 144,490,000</u></b>
Results of operations		
Insurance service result before reinsurance contracts held	<b><u>\$27,269,000</u></b>	\$16,500,000
Net expense from reinsurance contracts held	<b><u>(14,606,000)</u></b>	<u>(10,900,000)</u>
Insurance service result	<b>12,663,000</b>	5,600,000
Insurance finance (expense) income for insurance contracts issued	<b>(5,293,000)</b>	3,996,000
Reinsurance finance income (expense) for reinsurance contracts held	<b><u>1,611,000</u></b>	<u>(1,551,000)</u>

# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

### 5. Pro-Demnity Insurance Company (continued)

Net insurance financial result	(3,682,000)	2,445,000
Investment income	5,046,000	661,000
Other income	1,206,000	830,000
Other operating and administrative expenses	<u>(1,942,000)</u>	<u>(1,568,000)</u>
	<b>4,310,000</b>	(77,000)
Income before tax	<b>13,291,000</b>	7,968,000
Income tax expense	<u>(3,471,000)</u>	<u>(2,108,000)</u>
Comprehensive income for the year	<u><b>\$9,820,000</b></u>	<u>\$5,860,000</u>
Cash flows		
Cash flows from operating activities	<b>\$ 14,377,000</b>	\$ 10,917,000
Cash flows used in investing activities	<b>(9,863,000)</b>	(4,804,000)
Cash flows used in financing activities	<u>(194,000)</u>	<u>(104,000)</u>
Net increase in cash	<u><b>\$ 4,320,000</b></u>	<u>\$ 6,009,000</u>

The Association determined that there were no events relating to, or transactions of, Pro-Demnity that occurred in December 2022 or December 2023 (the intervening periods between Pro-Demnity's fiscal year end and that of the Association) which significantly affect the Association's financial position or results of operations.

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

	<u>2023</u>	<u>2022</u>
Professional Consult Survey (PCS) transfer	<b>\$ 8,508</b>	\$ -

All transactions are recorded at their exchange amount.

### 6. 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.

# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

### 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 CExAC is a related party to the Association.

The amounts included in the non-consolidated financial statements are as follows:

	<u>2023</u>	<u>2022</u>
Accounts receivable (jurisdiction exam fees to be received in 2024)	<u>\$ 271,260</u>	<u>\$ 252,482</u>
Accounts payable (represents the CExAC Maintenance Fund Account balance to cover 2024 expenses and approved reserve)	<u>\$ 746,616</u>	<u>\$ 666,789</u>
Association's portion of jurisdictional exam fees (included in ExAC fees revenue for the 2023 exam)	<u>\$ (102,394)</u>	<u>\$ 333,811</u>
Association's ExAC exam administration (included in Schedule of Expense – direct program expense for the 2023 exam)	<u>\$ 112,007</u>	<u>\$ 201,156</u>

### 8. Debt

In June 2021, the Association entered into 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>2023</u>	<u>2022</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	<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. 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>3,521,240</u>
	<u>\$ 4,102,730</u>

During the year, interest paid on the loan was \$93,920 (2022- \$96,042). As at November 30, 2023, the Association is in compliance with all of its covenants in relation to the debt.



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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 9. AATO court order costs and contingency

During the year, the Ontario Superior Court of Justice (the “Court”) issued a court order regarding the Association of Architectural Technologists of Ontario (AATO)’s court application against OAA. The Court ordered that OAA has no lawful authority of issue Certificates of Practice or licences based on OAA’s “Policy of the Council with respect to the Licensed Technologist OAA”, that any such Certificates of Practice or licences issued under the Licensed Technologist OAA program are void, that OAA is prohibited from issuing such Certificates of Practice or licences in the future via Policy, and that OAA is to pay \$35,000 to AATO.

As at December 31, 2023, OAA has paid the \$35,000 per the court order and incurred legal costs of \$147,350 related to the Registration Committee hearings arising from those impacted by the court order. The OAA believes that it is probable that approximately \$325,600 in costs more could be incurred in the future related to holding Registration Committee hearings, and/or making whole those who had their Certificates of Practice or licences voided as the result of the court order which may apply for new Certificates of Practice or licences as provided by section 25 of the Architects Act and present evidence to support their eligibility at a hearing. The contingent liability, which is recorded in accounts payable and accrued liabilities on the Association’s non-consolidated statement of financial position at November 30, 2023, is estimated based on the number of applicants who have applied for licence and/or Certificate of Practice and subsequently requested a Registration Committee hearing and the legal cost per hearing estimated by OAA’s legal counsel.

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### 10. Employee future benefits

The Association provides a defined contribution pension plan for voluntary participants. Total employer contributions were \$104,125 (2022 - \$104,525). There are no further funding requirements.

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### 11. Trust funds

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

	<u>2023</u>	<u>2022</u>
Architectural Guild Prize Fund	\$ 2,485	\$ 2,810
Ontario Association of Architects Trust Fund Scholarships	16,144	16,144
Plachta Fund	<u>107,244</u>	<u>107,474</u>
	<u>\$ 125,873</u>	<u>\$ 126,428</u>

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# Ontario Association of Architects

## Notes to Non-consolidated Financial Statements

November 30, 2023

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### 12. 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, 2023, the allowance for doubtful accounts is \$Nil (2022 - \$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. There has been no significant change in the risk exposure from the prior year.

#### 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. There has been no significant change in the risk exposure from the prior year.

#### 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. There has been no significant change in the risk exposure from the prior year.

#### 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. There has been no significant change in the risk exposure from the prior year.

# Ontario Association of Architects

## Schedule 1: Schedule of Expenses

Year ended November 30

2023

2022

Salaries and related benefits	<b>\$ 4,012,208</b>	<b>\$ 3,391,864</b>
Direct program		
Conference	<b>537,110</b>	932,732
Council, committees, task groups	<b>467,805</b>	786,709
Communications/public information	<b>129,267</b>	183,216
Public outreach and education	<b>30,101</b>	1,920
Society funding and other contributions	<b>239,227</b>	237,940
Liaison with Government and other	<b>155,275</b>	67,134
Continuing education	<b>101,040</b>	104,816
Examination for Architects in Canada (Note 7)	<b>112,007</b>	201,156
Admission course	<b>9,415</b>	15,542
Member and practice surveys	-	4,821
Uncollectible accounts	-	28
Sale of publications and other	<b>25,016</b>	28,836
	<b><u>1,806,263</u></b>	<b><u>2,564,850</u></b>
Building, office services and operating		
Building		
Interest and fees on long-term debt	<b>93,920</b>	98,239
Other building expenses	<b>206,996</b>	170,210
Amortization of property and equipment		
Computer equipment	<b>181,439</b>	192,476
Building additions	<b>116,675</b>	110,490
Building	<b>273,487</b>	273,248
Website and database costs	<b>67,961</b>	68,321
Furniture and equipment	<b>50,441</b>	49,952
OAAAS (Note 6)	<b>10,388</b>	119,593
Printing and office supplies	<b>47,552</b>	56,060
Computer	<b>164,370</b>	107,421
Insurance	<b>52,275</b>	45,461
Telephone, internet access/hosting	<b>42,657</b>	52,076
Postage	<b>21,293</b>	25,015
Professional fees	<b>33,910</b>	30,616
Fees processing charges	<b>11,185</b>	15,458
	<b><u>1,374,549</u></b>	<b><u>1,414,636</u></b>
Legal fees		
Prosecutions and injunctions	<b>70,215</b>	81,458
Discipline hearings and appeals	<b>139,146</b>	54,600
General	<b>91,289</b>	114,602
	<b><u>300,650</u></b>	<b><u>250,660</u></b>
	<b><u>\$ 7,493,670</u></b>	<b><u>\$ 7,622,010</u></b>

See accompanying notes to the non-consolidated financial statements.