

National Capital Heavy Construction Association



Financial Statements For the year ended December 31, 2020

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Financial Statements
For the year ended December 31, 2020

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Independent Practitioner's Review Engagement Report

To the Members of National Capital Heavy Construction Association

We have reviewed the accompanying financial statements of National Capital Heavy Construction Association that comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of National Capital Heavy Construction 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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
March 31, 2021
Ottawa, Ontario

National Capital Heavy Construction Association

Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash	\$ 271,969	\$ 122,768
Guaranteed investment certificate	-	100,000
Accounts receivable (Note 2)	61,194	32,231
Prepaid expenses	4,366	4,903
	337,529	259,902
Property and equipment (Note 3)	1,889	3,255
	\$ 339,418	\$ 263,157

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 16,245	\$ 10,237
Government remittances payable	4,003	3,682
Deferred revenue (Note 4)	69,274	44,750
	89,522	58,669
Unrestricted net assets	249,896	204,488
	\$ 339,418	\$ 263,157

Approved on behalf of the board of directors:

_____ Director _____ Director

National Capital Heavy Construction Association Statement of Changes in Net Assets

For the year ended December 31	2020	2019
Unrestricted net assets, beginning of year	\$ 204,488	\$ 224,332
Excess (deficiency) of revenues over expenses for the year	<u>45,408</u>	<u>(19,844)</u>
Unrestricted net assets, end of year	<u>\$ 249,896</u>	<u>\$ 204,488</u>

National Capital Heavy Construction Association Statement of Operations

For the year ended December 31	2020	2019
Revenues		
Membership dues	\$ 156,273	\$ 152,921
Sponsorship (Note 8)	73,132	101,300
Activities (Note 8)	71,240	157,540
OLM project funding	45,570	-
Advertising in directory	35,400	39,750
Corporate sponsorships	20,000	20,000
Interest income	734	1,804
Website advertising	-	1,500
OSWCA - industry promotion	-	10,000
	402,349	484,815
Expenses		
Activities (Note 8)	99,066	191,283
Advertising and promotion	1,545	-
Amortization	1,367	1,188
Bad debts (recovered)	(1,631)	1,631
Bank charges and interest	5,262	6,099
Director's meetings	2,651	26,713
Directory expenses	3,800	16,040
Donations	-	105
Industry promotion	7,797	9,277
Insurance	8,491	7,951
NCHCA educational bursary	-	7,922
OLM project expenses	45,570	-
Office supplies	15,719	22,524
Professional fees	15,684	25,272
Salaries and benefits (Note 5)	146,312	181,864
Telephone	4,121	3,479
Website	1,187	3,311
	356,941	504,659
Excess (deficiency) of revenues over expenses for the year	\$ 45,408	\$ (19,844)

National Capital Heavy Construction Association Statement of Cash Flows

For the year ended December 31	2020	2019
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 45,408	\$ (19,844)
Adjustments for:		
Amortization	1,367	1,188
	<u>46,775</u>	<u>(18,656)</u>
Change in non-cash working capital items		
Accounts receivable	(28,963)	(8,537)
Prepaid expenses	537	4,033
Accounts payable and accrued liabilities	6,007	(8,268)
Government remittances payable	321	(13,907)
Deferred revenue	24,524	(11,550)
	<u>49,201</u>	<u>(56,885)</u>
Cash flows from (used in) investing activities		
Redemption (purchase) of guaranteed investment certificates	100,000	(50,000)
Purchase of property and equipment	-	(3,338)
	<u>100,000</u>	<u>(53,338)</u>
Increase (decrease) in cash during the year	149,201	(110,223)
Cash, beginning of year	122,768	232,991
Cash, end of year	\$ 271,969	\$ 122,768

National Capital Heavy Construction Association

Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies

Nature of Business

The Association is incorporated without share capital under the Canadian Not for Profit Corporations Act on May 22, 2014.

The Association is engaged in the betterment of the road building, sewer and watermain, and aggregate production industries within the national capital area. It serves to maintain the highest standards of construction and business methods, and promotes better understanding and goodwill between the public owners, engineers and contractors.

The Association is exempt from income taxes.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations 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 revenues and expenses during the reporting period. The main areas of the financial statements that require estimates and assumptions are: 1) the allowance for doubtful accounts, and 2) accruals for certain liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Uncertainty due to COVID-19

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Association or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Associations operations, financial results and condition in future periods are also subject to significant uncertainty.

Further, assumptions and estimates are subject to greater variability than normal in the current environment which could significantly affect the estimates and assumptions made by management as they relate to potential impact of the COVID-19 on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected.

National Capital Heavy Construction Association

Notes to the Financial Statements

December 31, 2020

1. **Significant Accounting Policies (continued)**

**Uncertainty due to
COVID-19 (continued)**

The impact of current uncertainty on estimates and assumptions extends but is not limited to the Association's valuation of accounts receivable. Actual results may differ materially from these estimates.

Financial Instruments

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

Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions, if any. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

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

The Association has no financial assets measured at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down 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, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Association recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

National Capital Heavy Construction Association

Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Property and Equipment	Property and equipment are recorded at cost. Amortization is based on the estimated useful life of the asset. Amortization is calculated as follows.		
	Office furniture and equipment	Declining balance	20%
	Computer equipment	Declining balance	55%
	The Association has elected not to capitalize the costs associated with the website.		
Impairment of Long-Lived Assets	A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.		
Revenue Recognition	<p>The Association follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Membership fees are recognized in the year to which they pertain.</p> <p>Activities revenue is recognized when the activity occurs.</p> <p>Sponsorship and advertising revenue is recognized when the specific event occurs or over the year to which they pertain.</p> <p>OLM project funding revenue is recognized when costs directly attributable to the project are incurred.</p> <p>Interest revenue is recognized in the year earned.</p>		
Donated Services	The work of the Association is dependent on the voluntary services of its executive members. Since these 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.		

National Capital Heavy Construction Association

Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Government Assistance The Association periodically applies for financial assistance under available incentive programs for certain eligible expenditures. The Association recognizes operating incentives as a reduction of such costs when there is reasonable assurance that the Association has complied with the conditions for receipt of such assistance.

2. Accounts Receivable

Included in accounts receivable is \$38,282 (2019 - \$nil) related to government subsidies receivable under the Canada Emergency Wage Subsidy relief program.

3. Property and Equipment

	2020			2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Office furniture and equipment	\$ 2,916	\$ 1,947	\$ 969	\$ 1,211	
Computer equipment	5,955	5,035	920	2,044	
	\$ 8,871	\$ 6,982	\$ 1,889	\$ 3,255	

4. Deferred Revenue

Deferred revenue is comprised of membership dues and activity revenue received in advance of the period in which it relates and OLM project funding which is a restricted contribution provided by the provincial government of Ontario. The changes in the deferred revenue balances for the year are as follows:

	Balance, beginning of year	Received	Recognized	Balance, end of year
Membership dues	\$ 26,825	\$ 5,550	\$ (26,825)	\$ 5,550
Activities	17,925	1,500	(17,925)	1,500
OLM project funding	-	107,794	(45,570)	62,224
	\$ 44,750	\$ 114,844	\$ (90,320)	\$ 69,274

National Capital Heavy Construction Association

Notes to the Financial Statements

December 31, 2020

5. Government Subsidies

During the year, the Association received \$2,755 of 10% Temporary Wage Subsidy ("TWS") and applied for an additional \$38,282 under the Canada Emergency Wage Subsidy ("CEWS") relief program established by the Federal Government of Canada. Those amounts were recorded as a reduction of salaries and benefits expense.

The TWS program was a 3-month measure that allows eligible employers to reduce the amount of payroll deductions they need to remit to the Canada Revenue Agency. The CEWS program is meant to assist businesses and organizations that saw large drops in revenue as a result of the impact of the COVID-19 pandemic. The purpose of the CEWS funding is to help organizations maintain the employment of their staff through covering a portion of payroll costs.

The Canada Revenue Agency, maintains the right to audit the claims supporting these subsidies. Any request for repayment of subsidies would be recorded in the year the government provides notification to the Association.

6. Contingent Liabilities

The OLM project funding received by the Association from the provincial government of Ontario has specific conditions surrounding the nature of allowable expenditures under the agreement. The funding agent has the right to review the accounting records at any time, up to 7 years after the expenses have been incurred, to ensure compliance with the terms and conditions of the agreement. Management of the Association feels that their expenses claimed under the agreement are fair and accurate. In the event any amount has to be reimbursed, it will be treated as an expense in the year of reimbursement.

7. Financial Instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations as at December 31, 2020.

The Association is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its accounts receivable.

National Capital Heavy Construction Association Notes to the Financial Statements

December 31, 2020

7. Financial Instruments (continued)

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 accounts payable and deferred revenue.

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 risk, interest rate risk and other price risk. The Association is not exposed to any market risks.

Changes in risk

There have been no significant changes in the Association's risk exposure from the 2019 fiscal year.

8. Activities

	Sponsorship Revenue 2020	Activity Revenue 2020	Expenses 2020	Net Revenue (Expenses) 2020
Annual meeting	\$ 5,500	\$ 5,000	\$ -	\$ 10,500
Curling bonspiel	2,250	4,000	3,177	3,073
Education	19,382	-	25,243	(5,861)
Fall dance	-	-	743	(743)
Golf tournament	46,000	62,240	66,623	41,617
OCA symposium	-	-	2,080	(2,080)
Summer barbecue	-	-	1,200	(1,200)
	<u>\$ 73,132</u>	<u>\$ 71,240</u>	<u>\$ 99,066</u>	<u>\$ 45,306</u>

National Capital Heavy Construction Association Notes to the Financial Statements

December 31, 2020

8. Activities (continued)

	Sponsorship Revenue 2019	Activity Revenue 2019	Expenses 2019	Net Revenue (Expenses) 2019
Annual meeting	\$ 16,250	\$ 22,361	\$ 17,839	\$ 20,772
Curling bonspiel	2,000	3,900	3,217	2,683
Education	12,800	-	4,221	8,579
Fall dance	7,750	35,100	41,554	1,296
Golf tournament	49,000	60,869	78,196	31,673
OCA symposium	-	-	1,525	(1,525)
Sens Night	1,000	9,610	14,273	(3,663)
Summer barbeque	12,500	25,700	30,458	7,742
	<u>\$ 101,300</u>	<u>\$ 157,540</u>	<u>\$ 191,283</u>	<u>\$ 67,557</u>
