

Infrastructure Health & Safety Association
Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors of Infrastructure Health & Safety Association

Opinion

We have audited the financial statements of Infrastructure Health & Safety Association (the Association), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021, 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 of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 18, 2021.

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 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 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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
May 10, 2022

Infrastructure Health & Safety Association Statement of Financial Position

December 31 **2021** **2020**

Assets

Current

Cash and cash equivalents	\$ 14,872,881	\$ 11,034,881
Short-term investments (Note 2)	8,000,000	7,505,875
Accounts receivable	363,718	1,328,716
Inventory	514,670	427,481
Prepaid rent and deposits (Note 3)	246,400	267,987
	23,997,669	20,564,940

Prepaid rent and deposits (Note 3)	165,891	168,369
Long-term investments (Note 2)	-	739,875
Investment in CHSI (Note 4)	-	31,352
Capital assets (Note 5)	937,230	1,293,597
	\$ 25,100,790	\$ 22,798,133

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 2,991,858	\$ 2,235,845
Deferred revenue (Note 7)	100,528	21,905
Customer deposits	645,576	578,642
	3,737,962	2,836,392

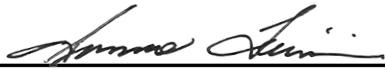
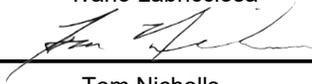
Deferred revenue (Note 7)	54,572	54,572
Deferred capital contributions (Note 6)	816,515	1,024,770
Employee future benefits (Note 8)	26,720,480	23,231,000
	31,329,529	27,146,734

Commitments and contingencies (Note 11 and 15)

Net Assets

Invested in capital assets	120,715	268,827
Internally restricted for CHSI capital expenditure (Note 4)	-	94,497
Unrestricted	(6,349,454)	(4,711,925)
	(6,228,739)	(4,348,601)
	\$ 25,100,790	\$ 22,798,133

On behalf of the Executive Board:

 <hr style="width: 100%;"/>	Director
Ivano Labricciosa	
 <hr style="width: 100%;"/>	Director
Tom Nicholls	

The accompanying notes are an integral part of these financial statements.

Infrastructure Health & Safety Association Statement of Changes in Net Assets

For the year ended December 31			2021	2020	
	Invested in capital assets	Internally restricted for CHSI capital expenditures	Unrestricted	Total	Total
Net assets , beginning of year	\$ 268,827	\$ 94,497	\$ (4,711,925)	\$ (4,348,601)	\$ 1,846,352
Excess (deficiency) of revenue over expenditures for the year	-	-	2,113,762	2,113,762	(4,271,553)
Net activity in capital assets	(148,112)	-	148,112	-	-
Employees' Supplementary Pension Plan adjustment (Note 8)	-	-	(6,039,000)	(6,039,000)	-
Interfund transfers (Note 9)	-	(94,497)	94,497	-	-
Employee future benefits remeasurement (Note 8)	-	-	2,045,100	2,045,100	(1,923,400)
Net assets , end of year	\$ 120,715	\$ -	\$ (6,349,454)	\$ (6,228,739)	\$ (4,348,601)

The accompanying notes are an integral part of these financial statements.

Infrastructure Health & Safety Association Statement of Operations

For the year ended December 31	2021	2020
Revenue		
Ministry of Labour, Training and Skills Development (Note 10)	\$ 24,207,092	\$ 18,988,829
Training and publication recoveries	9,125,878	6,668,424
Amortization of deferred capital contributions	208,255	209,539
Sundry revenue	180,735	65,701
Interest income	157,846	241,421
Funding for rent (Note 7)	21,905	37,885
	33,901,711	26,211,799
Expenditures		
Salaries	17,234,722	16,552,464
Employee benefits	6,414,713	5,989,495
Occupancy	2,586,669	2,368,413
Program delivery expenditures	1,349,656	877,223
Equipment and maintenance	1,229,939	796,930
Travel and vehicle	1,190,371	1,019,419
Professional fees	493,015	342,589
Amortization of capital assets	356,367	389,541
Advertising and promotion	223,211	623,531
Office and general	214,573	173,956
Personnel costs	197,938	158,983
Postage and courier	127,371	213,251
Telecommunications	95,119	93,475
Supplies and services	42,069	25,979
Share of loss from CHSI (Note 4)	22,813	853,017
Research and library costs	9,403	5,086
	31,787,949	30,483,352
Excess (deficiency) of revenue over expenditures for the year	\$ 2,113,762	\$ (4,271,553)

The accompanying notes are an integral part of these financial statements.

Infrastructure Health & Safety Association Statement of Cash Flows

For the year ended December 31 2021 2020

Cash and cash equivalents provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenditures for the year	\$ 2,113,762	\$ (4,271,553)
Adjustments required to reconcile excess (deficiency) of revenue over expenditures with net cash provided by operating activities		
Amortization of deferred capital contributions	(208,255)	(209,539)
Amortization of capital assets	356,367	389,541
Share of loss from CHSI (Note 4)	22,813	853,017
Payment received upon termination of joint venture investment in CHSI (Note 4)	8,539	-
Investment income reinvested	(157,485)	(191,615)
Employee future benefits expense (Note 8)	1,008,600	871,200
Employee future benefits paid (Note 8)	(1,513,020)	(1,051,800)
Changes in non-cash working capital balances:		
Accounts receivable	964,998	(56,320)
Inventory	(87,189)	(149,048)
Prepaid rent and deposits	24,065	41,311
Accounts payable and accrued liabilities	756,013	(514,654)
Deferred revenue	78,623	(158,172)
Customer deposits	66,934	99,375

3,434,765 (4,348,257)

Investing activities

Proceeds from disposal of investments	403,235	8,144,505
Purchase of capital assets	-	(135,565)

403,235 8,008,940

Financing activity

Funding received for capital purchases	-	120,287
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Increase in cash and cash equivalents during the year **3,838,000** 3,780,970

Cash and cash equivalents, beginning of year **11,034,881** 7,253,911

Cash and cash equivalents, end of year **\$ 14,872,881** \$ 11,034,881

Cash and cash equivalents consist of:

Cash	\$ 5,966,487	\$ 5,186,680
Guaranteed investment certificate	8,000,000	-
Money market funds	906,394	5,848,201

\$ 14,872,881 \$ 11,034,881

Infrastructure Health & Safety Association

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies

Nature and Purpose of Organization

Infrastructure Health & Safety Association ("IHSA" or the "Association") is a not-for-profit occupational health and safety organization incorporated without share capital in the province of Ontario. The Association provides health and safety training material and services to Ontario's construction, electrical and utilities and transportation industries. IHSA assists organizations to achieve safer and healthier work environments by identifying and reducing workplace risks and hazards to prevent and reduce workplace injuries, illness and disease. The Association's mission is to develop sector specific partnerships and support their implementation of prevention solutions that provide continuous improvements in health and safety performance. The Association is exempt from tax under Section 149(1)(l) of the Income Tax Act (Canada).

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations ("ASNPO").

Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted funding from the Ministry of Labour, Training and Skills Development ("MLTSD" or the "Ministry") and other government ministries is deferred and recognized as revenue when collection can be reasonably measured and assured and the related expenses are incurred.

Training recoveries are recognized as revenue when services are rendered, and collection can be reasonably measured and assured. Safety product recoveries relating to inventory are recognized as revenue when goods are shipped and there is reasonable assurance of collection. Unrestricted funding is recognized as revenue when received or receivable. Funding received for capital expenditures is deferred and recognized as revenue on the same basis as amortization of the related assets.

Interest income is recognized into revenue when earned, on a time proportion basis.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with the Association's bank and highly liquid investments with original maturity dates of three months or less at the date of acquisition.

Infrastructure Health & Safety Association

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All investments in money market funds, bonds and guaranteed investment certificates are recorded at amortized cost. All other financial instruments are recorded at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instruments for those measured at amortized cost.

Inventory

Course and seminar inventory is valued at the lower of cost and net realizable value and is expensed in program delivery expenses. Cost is determined on an average cost basis.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Emergency response equipment	- 5 years
Furniture and fixtures	- 5 years
Leasehold improvements	- over term of lease

Impairment of Capital Assets

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expenditure in the statement of operations. Any unamortized deferred capital contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Infrastructure Health & Safety Association

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits.

Employee future benefits liabilities are subject to measurement uncertainty because actual results may differ significantly from the Association's best long-term estimate of expected results.

Employee Future Benefits

i) Defined benefit post-retirement plan

The Association provides certain non-pension post-retirement benefits consisting of extended health and other benefits. The defined benefit obligation is calculated based on the most recent actuarial valuation report prepared for accounting purposes.

The Association determines its obligation as the difference between its total liabilities and related costs less the fair value of the plan assets. Remeasurements and other items are charged to net assets as they occur.

The Association applies the following policies:

- The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance for funded plans, salary escalations, retirement ages of employees and expected health-care costs.
- Actuarial gains and losses arise when the actual return on plan assets differs from the expected return on the plan assets for a period, or when the accrued benefit obligations change during the year. The actuarial gains and losses are recorded in the statement of changes in net assets.

Infrastructure Health & Safety Association

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Employee Future Benefits (continued)

ii) WSIB Employees' Pension Plan

Employees belong to the WSIB Employees Pension Plan, which is a defined benefit plan that meets the definition of a multi-employer plan under ASPE 3462 and therefore is accounted for as a defined contribution plan. The plan provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension are administered by WSIB.

iii) WSIB Employees' Supplementary Pension Plan

Employees belong to the WSIB Employees' Supplementary Pension Plan, which is a defined benefit plan. The plan provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension are administered by WSIB.

Investment in Centre for Health & Safety Innovation ("CHSI")

The Association is a founding member of Centre for Health & Safety Innovation (CHSI), a not-for-profit corporation that provides shared premises for the Association and one other Ontario health and safety organization. Under its membership agreement, the Association is party to a joint venture with one other party. The Association paid a fee of 25.64% of the startup and operating costs of CHSI up to December 31, 2006. The Association maintained a 25.64% share in CHSI while Workplace Safety & Prevention Services maintained a 74.36% share. Historically, the Association had chosen to use the equity basis to account for its proportionate share of the annual operating results of CHSI. During the year, the Association terminated its participation in the joint venture agreement with CHSI (Note 4).

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

2. Investments

Investments consist of guaranteed investment certificates earning interest at 0.40% (2020 - 1.00% to 2.45%) and maturing February 11, 2022 (2020 - January 29, 2021 and March 28, 2022).

	2021	2020
Investments - total	\$ 8,000,000	\$ 8,245,750
Less: Amounts maturing within one year	8,000,000	7,505,875
	\$ -	\$ 739,875

3. Prepaid Rent and Deposits

	2021	2020
Deposit on Voyageur Court premises	\$ 135,213	\$ 135,213
Deposit on Skills Development Centre premises	25,000	25,000
Long-term prepaid rent	-	9,464
Deposit on CHSI premises	-	50,885
Short-term prepaid rent	171,533	150,528
Deposits	5,678	8,156
Other	74,867	57,110
	412,291	436,356
Less: current portion	246,400	267,987
	\$ 165,891	\$ 168,369

The long-term prepaid rent resulted from contributions to the Association for the Skills Development Centre location to help meet the rent payment obligations. These contributions were paid to the landlord as a prepayment of rent in order to reduce the monthly rent payments and are recognized into expenses over the term of the lease agreement.

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

4. Investment in CHSI

CHSI is a not-for-profit organization, incorporated under the laws of the Province of Ontario on September 8, 2004, the purpose of which is to create a focal point for innovation and applied learning in the prevention of workplace injuries and illnesses and to act as a key resource for employers, employees and others seeking expertise and direction on how to make workplaces safer. The organization is exempt from income taxes under Section 149(1)(l) of the Income Tax Act (Canada). Effective February 28, 2021, the Association terminated its participation in the joint venture agreement with CHSI. The financial impact of this transaction was as follows, resulting in a \$Nil ending investment as at year-end.

	2021	2020
Balance, beginning of year	\$ 31,352	\$ 884,369
Proportionate share of revenue over expenditures	(22,813)	(853,017)
Less: payment received upon termination of joint venture	8,539	-
	\$ -	\$ 31,352

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Emergency response equipment	\$ 1,707,711	\$ 1,619,183	\$ 1,707,711	\$ 1,477,438
Furniture and fixtures	748,988	673,556	748,988	626,068
Leasehold improvements	2,657,402	1,884,132	2,657,402	1,716,998
	\$ 5,114,101	\$ 4,176,871	\$ 5,114,101	\$ 3,820,504
Net book value		\$ 937,230		\$ 1,293,597

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

6. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount and unspent amount of contributions received for the purchase of capital assets.

	2021	2020
Balance , beginning of year	\$ 1,024,770	\$ 1,114,022
Funding received	-	120,287
Amortization of deferred capital contributions	(208,255)	(209,539)
Balance , end of year	\$ 816,515	\$ 1,024,770

7. Deferred Revenue

Deferred revenue represents unspent funds from the MLTSD and other funded programs reflected under the Skills Development Centre. The changes in the deferred operating funding balances are as follows:

	Skills Development Centre	MLTSD	2021	2020
Balance , beginning of year	\$ 21,905	\$ 54,572	\$ 76,477	\$ 234,649
Funding received	100,528	-	100,528	-
Amortization of deferred rent funding	(21,905)	-	(21,905)	(37,885)
Recognition of deferred revenue	-	-	-	(120,287)
Balance , end of year	100,528	54,572	155,100	76,477
Less: current portion	100,528	-	100,528	21,905
Long-term portion	\$ -	\$ 54,572	\$ 54,572	\$ 54,572

The long-term portion relates to funds contributed to the Association for the Skills Development Centre location to help meet the rent payment obligations. These contributions were paid to the landlord as a prepayment of rent in order to reduce the monthly rent payments and are amortized into revenue over the term of the lease agreement.

The long-term portion also includes \$12,441 (2020 - \$12,441) relating to future capital expenditures for the Skills Development Centre location.

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

8. Employee Future Benefits

(a) Post-retirement Benefits and Exit Benefits

The Association provides extended health-care, dental and life insurance benefits to all full-time employees hired by the legacy associations prior to amalgamation on retirement to the age of 65, with the following exceptions:

- For former Electrical & Utilities Safety Association employees, these benefits extend to age 65 for employees hired subsequent to January 1, 2007. Benefits may be extended beyond age 65 at the discretion of the employee and the assumption of 50% of the cost by the employee. For employees hired prior to 2003, benefits extend for the employee's lifetime.
- For former Construction Safety Association of Ontario employees, no future benefits are provided for employees hired subsequent to August 1, 2001. For employees hired prior to August 1, 2001, benefits extend for the employee's lifetime.

In addition to the extended health-care, dental and life insurance benefits, the Association also provides exit benefits to employees in accordance with the Association's policy. These plans are unfunded and there are no plan assets.

(b) Employees' Supplementary Pension Plan

During the year, the Association assumed full responsibility for the WSIB Employees' Supplementary Pension Plan based on the legal agreement between the Association and WSIB. The adjustments to reflect this legal obligation are reflected in the schedules below. The Plan is unfunded and there are no Plan assets.

Components of the above employee future benefits liability are as follows:

	2021	2020
(a) Post-retirement benefits and exit benefits	\$ 21,109,000	\$ 23,231,000
(b) Employees' Supplementary Pension Plan	5,611,480	-
	\$ 26,720,480	\$ 23,231,000

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

8. Employee Future Benefits (continued)

	(a) Post-retirement and Exit Benefits	(b) Employees' Supplementary Pension Plan	2021	2020
Employee future benefits liability, beginning of year	\$ 23,231,000	\$ -	\$ 23,231,000	\$ 21,488,200
Employees' Supplementary Pension Plan adjustment	-	6,039,000	6,039,000	-
Current service cost	236,800	18,000	254,800	209,600
Interest cost on obligation	599,800	154,000	753,800	661,600
Benefit payments	(1,252,500)	(260,520)	(1,513,020)	(1,051,800)
Actuarial (gain) loss recognized in statement of changes in net assets	(1,706,100)	(339,000)	(2,045,100)	1,923,400
Employee future benefits liability, end of year	\$ 21,109,000	\$ 5,611,480	\$ 26,720,480	\$ 23,231,000

The latest actuarial valuations of the post-retirement and exit benefits plan as well as the Employees' Supplementary Pension Plans were prepared as at December 31, 2021. The significant actuarial assumptions adopted in measuring the Association's defined benefit obligations for the post-retirement and exit benefits plan and the Employees' Supplementary Pension Plan are as follows:

	2021 (%)	2020 (%)
Health-care increase per annum	5.37	5.37
Discount rate	3.00 - 3.30	2.60
Dental care increase per annum	3.00	3.00
Salary increase per annum	1.50 - 2.00	1.50
Year's Maximum Pensionable Earnings ("YMPE") increase	3.00	-
Inflation (Consumer Price Index)	2.00	-

The employer contributions made in the year to the WSIB Employees' Pension Plan amounted to \$2,758,045 (2020 - \$2,672,418) are included in employee benefits expense in the statement of operations.

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

9. Internally Restricted Fund for CHSI Capital Expenditures

The Board approved an internally restricted fund in fiscal 2012 for the Association's share of future expenditures relating to CHSI. The fund was designated based on a reserve fund study performed in 2011. These amounts represent the Association's share of CHSI's replacement reserve fund. During the year, in conjunction with the Association's termination of its joint venture investment with CHSI, this reserve fund was closed and transferred back to the unrestricted fund via interfund transfer.

10. Ministry of Labour, Training and Skills Development

Surplus funds must be used to support the MLTSD's commitment to enhance health and safety in Ontario workplaces. No surplus funds can be used without written approval from the MLTSD. The MLTSD will notify the Association in writing in a timely manner regarding decisions related to proposed retention of surpluses. The use of surplus funds approved to be retained by the Association will be tracked by the Association and reported to the MLTSD. Any amount not approved to be retained will be recovered by the MLTSD. Approved MLSTD funding for the year is \$24,207,092 (2020 - \$18,988,829).

11. Commitments

The Association has operating leases for various office premises and equipment with minimum annual payments to non-related parties as follows:

2022	\$ 1,066,465
2023	1,058,053
2024	1,042,769
2025	1,045,292
2026	453,199
Thereafter	<u>126,739</u>
	<u>\$ 4,792,517</u>

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

12. Related Party Transactions

The Association subleased its office space from CHSI and paid its proportionate rental area share of the operating costs. Any surplus (deficiency) in CHSI was shared by the members based on their proportionate rentable areas. During the year, CHSI charged rental and operating costs of \$99,445 (2020 – \$279,750). These transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and approximates the arm's length equivalent value.

The lease expired on February 28, 2021 in conjunction with the Association's termination of its joint venture with CHSI (see Note 4) and has not been renewed.

13. Economic Dependence

The Association is dependent on the MLTSD receives a significant amount of its revenue from the MLTSD based on annual budget submissions approved by the Ministry.

14. Credit Facility

The Association has a credit facility with its lender in the amount of \$2,000,000, that will be made available by way of prime rate based loans in Canadian dollars and Letters of Credit in Canadian or US dollars. The loans bear interest at prime rate + 0.75% and the Letters of Credit bear interest at 2.0% (2020 - 0.75% and 2.0%). The facility is secured by a general security agreement representing a first charge on all present and after acquired personal property. As at year end, \$Nil (2020 - \$Nil) of this facility was drawn.

15. Contingencies

The Association may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Association. Any amounts in settlement of claims in excess of recorded provisions will be charged to the statement of operations in the year of claim.

Infrastructure Health & Safety Association Notes to Financial Statements

December 31, 2021

16. Financial Instruments

The Association is exposed to certain financial instrument risks, such as credit risk, interest rate risk and liquidity risk. These risks have not changed from the prior year.

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 financial instruments that are exposed to concentrations of credit risk relate primarily to cash and cash equivalents, short-term investments, accounts receivable and long-term investments. The Association manages its exposure to this risk by maintaining its cash and cash equivalents and investments with established financial institutions and, where feasible, obtains prepayment for courses held with respect to accounts receivable. Accounts receivable are net of an allowance for doubtful accounts of \$123,980 (2020 – \$141,170).

Liquidity Risk

Liquidity risk is the risk the Association will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities and commitments. The Association continues to focus on maintaining adequate liquidity to meet operating working capital requirements and capital expenditures and has a rigorous annual budgeting process.