

Financial Statements of Association of Professional Engineers of Ontario

Auditors' Report to the Members

We have audited the balance sheet of the Association of Professional Engineers of Ontario as at December 31, 1999, and the statements of revenue and expenses, changes in members' equity and changes in financial position for the year then ended.

These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards.

Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the association as at December 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

(signed) Deloitte & Touche,
Chartered Accountants
Toronto, Ontario, January 21, 2000



Balance Sheet

December 31, 1999

	1999	1998
ASSETS		
CURRENT		
Cash	\$178,546	\$236,342
Marketable securities, at cost which approximates market value	6,061,541	4,325,993
Accounts receivable	997,811	965,903
Prepaid expenses	260,748	240,075
	7,498,646	5,768,313
PORTFOLIO INVESTMENTS (market value \$6,986,074; 1998-\$7,186,538)	7,084,518	7,119,666
PENSION ASSET (Note 3)	433,416	343,987
CAPITAL ASSETS (Note 4)	756,209	796,209
	\$ 15,772,789	\$14,028,175
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$794,652	\$658,120
Fees in advance and deposits	4,479,624	4,081,402
	5,274,276	4,739,522
DEFERRED LEASE INDUCEMENT	409,533	491,440
	5,683,809	5,230,962
MEMBERS' EQUITY		
INVESTED IN CAPITAL ASSETS	756,209	796,209
UNRESTRICTED	9,332,771	8,001,004
	10,088,980	8,797,213
	\$ 15,772,789	\$14,028,175

On behalf of the Council

Member—P.J. Quinn, P.Eng.

Member—P. M. DeVita, P.Eng.

Statement of Revenue and Expenses

Year ended December 31, 1999

	1999	1998
REVENUE		
Annual fees	\$ 7,294,565	\$ 7,154,784
Application fees, registration fees, examination fees, other fees and income	2,775,237	3,105,149
Investment income	643,240	648,392
Advertising income	591,021	557,706
	11,304,063	11,466,031
EXPENSES		
Administration	937,097	953,155
Amortization	233,807	323,839
Building occupancy costs, including leasehold amortization of \$13,851 (1998 - \$13,851)	914,655	1,043,269
Canadian Council of Professional Engineers	547,601	530,978
Chapters and Regions	430,764	373,070
Communications	636,508	1,194,299
Council and committees	752,468	524,323
Dimensions, sundry publications	696,521	905,283
Examination and registration	154,388	191,073
Management information systems	30,209	58,688
Professional services	361,246	316,931
Salaries and staff benefits	4,292,393	4,822,356
Survey information	24,639	5,587
	10,012,296	11,242,851
EXCESS OF REVENUE OVER EXPENSES	\$ 1,291,767	\$223,180

Statement of Changes in Members' Equity

Year ended December 31, 1999

	1999			1998
	Invested in capital assets	Unrestricted	Total	Total
BALANCE, BEGINNING OF YEAR	\$796,209	\$8,001,004	\$8,797,213	\$8,574,033
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(247,659)	1,539,426	1,291,767	223,180
ADDITIONS TO CAPITAL ASSETS	207,659	(207,659)	-	-
BALANCE, END OF YEAR	\$756,209	\$9,332,771	\$10,088,980	\$8,797,213

Statement of Changes in Financial Position

Year ended December 31, 1999

	1999	1998
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$1,291,767	\$223,180
Items not involving cash or marketable securities:		
Amortization	247,659	337,690
Pension asset	(89,429)	23,100
	1,449,997	583,970
Change in non-cash working capital items (Note 9)	482,173	141,096
	1,932,170	725,066
FINANCING		
(Decrease) in deferred lease inducement	(81,907)	(81,907)
INVESTING		
Additions to capital assets	(207,659)	(137,431)
Decrease (increase) in portfolio investments	35,148	(210,284)
	(172,511)	(347,715)
INCREASE IN CASH AND MARKETABLE SECURITIES	1,677,752	295,444
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	4,562,335	4,266,891
CASH AND MARKETABLE SECURITIES, END OF YEAR	\$ 6,240,087	\$ 4,562,335
CASH AND MARKETABLE SECURITIES IS COMPRISED OF:		
Cash	\$178,546	\$236,342
Marketable securities	6,061,541	4,325,993
	\$ 6,240,087	\$4,562,335

Notes to the Financial Statements

December 31, 1999

1. NATURE OF OPERATIONS

The Association of Professional Engineers of Ontario is incorporated by an Act of the Legislature of Ontario. Its principal activities include regulating the practice of professional engineering, and establishing and maintaining standards of knowledge, skill and ethics among its members. The Association of Professional Engineers of Ontario is incorporated as a non-profit organization under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

MARKETABLE SECURITIES AND PORTFOLIO INVESTMENTS

Investments are reported at cost adjusted by the amortization of any discount or premium arising on the purchase of fixed term securities over the period to their maturity. Marketable securities include investments which mature on or before December 31, 2000, whereas portfolio investments include those investments which mature after December 31, 2000.

DONATED SERVICES

The association receives substantial donated services from its membership through participation on Council and committees and as chapter executives. Donations of services are not recorded in the accounts of the association.

PENSION COSTS

The pension expense for the year includes adjustments for plan amendments and experience gains, which are being amortized on a straight-line basis over the expected average remaining service life of the plan participants.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided on a straight-line basis at the following annual rates.

Furniture, fixtures and microfilm equipment	10% to 20%
Computer equipment	20%
Leasehold improvements	10%

DEFERRED LEASE INDUCEMENT

The deferred lease inducement received is being amortized on a straight-line basis over the term of the lease.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. PENSION PLANS

The association has a contributory defined benefit final average pension plan, which covers substantially all of its employees. The pension plan provides pension benefits based on length of service and final average earnings.

Effective January 1, 1997, the association introduced a supplemental pension plan. The plan is a contributory defined benefit final average pension plan, which covers substantially all employees of the association. The pension plan provides pension benefits based on length of service and best average earnings.

The market value of pension fund assets of both plans as at December 31, 1999 is \$6,518,822 (1998-\$6,590,032). Projected liabilities at December 31, 1999 are \$6,875,900 (1998-\$7,047,900). For the year ended December 31, 1999, pension expense of \$185,915 (1998-\$221,500) was recorded. The cumulative difference between the funding contributions and the amount expensed of \$433,416 (1998-\$343,987) has been included as a pension asset in the balance sheet. Included in the above combined balances is a deficiency of \$948,834 (1998-\$1,023,422) in the supplemental plan and a surplus of \$591,756 (1998-\$565,554) in the basic plan. The deficiency is being amortized over 15 years.

4. CAPITAL ASSETS

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, fixtures and microfilm equipment	\$1,842,183	\$1,388,320	\$453,863	\$493,252
Computer equipment	2,807,458	2,574,368	233,090	219,850
Leasehold improvements	138,515	69,259	69,256	83,107
	\$4,788,156	\$4,031,947	\$756,209	\$796,209

5. YEAR 2000

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the association, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

6. TRUST ACCOUNTS

The association maintains separate bank accounts for the Committee of Ontario Deans of Engineering, the Millennium Fund and Science Network Ontario. Funds totalling \$68,222 (1998-\$34,120) are not reported on the association's balance sheet, as they are held in trust for these groups.

7. LEASE COMMITMENTS

The association has obligations under long-term, non-cancellable operating leases for its premises. The future minimum lease payments for each of the next five years and thereafter are as follows:

2000	\$ 520,593
2001	520,593
2002	520,593
2003	658,293
2004	658,293
Thereafter	3,281,181
	\$ 6,159,546

8. CONTINGENT LIABILITIES

Various claims have been made against the association. According to management, some of the claims, once settled, are unlikely to result in a loss to the association, while the outcome of the remaining claims cannot be determined at this time. A provision for certain of these claims has been made in these financial statements.

9. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	1999	1998
Accounts receivable	\$ (31,908)	\$ (81,902)
Prepaid expenses	(20,673)	10,248
Accounts payable and accrued liabilities	136,532	193,225
Fees in advance and deposits	398,222	19,525
	\$ 482,173	\$ 141,096

10. SUBSEQUENT EVENT

The association's Council has proposed the establishment of a newly incorporated organization that would be responsible for the association's non-regulatory activities. The association's membership is to vote on this proposal via a mail ballot. Voting will conclude on February 29, 2000. If approved, the association will provide a one-time grant equal to 10% of its unrestricted members' equity to this new organization. Any other financial impact on the association relating to this proposal, if approved, is not considered to be material.

Notice

Any member with questions on the associations' 1999 Financial Statements may direct them to Linda Prince, CA, Treasurer, Professional Engineers Ontario. She can be reached at (416) 224-1100, ext. 426; email: lprince@peo.on.ca; or by mail at 25 Sheppard Avenue West, Suite 1000, Toronto, ON M2N 6S9.