

TREASURER'S REPORT AND FINANCIAL STATEMENT

DECEMBER 31, 2010

In 2010, PEO generated an excess of revenues over expenses of \$1,374,163 from operations, which may be largely attributed to growth in the P.Eng. membership and in application, examination and registration revenues. In addition, PEO's investment portfolio yielded \$474,878 of investment income. The results also include a positive contribution of \$39,459 from leasing operations at 40 Sheppard Avenue West.

On March 11, 2009, the Association of Professional Engineers of Ontario purchased a building at 40 Sheppard Avenue West in Toronto to be used as its head office. The building cost \$22,575,000 and PEO secured financing of \$15,100,000. The first mortgage of \$14,100,000 is a 10-year loan with an accelerated 15-year amortization at an interest rate of 4.95 per cent. PEO moved into the building on Monday, December 21, 2009.

For the 2010 fiscal year, total revenues of \$21,602,500 and expenses of \$20,228,337 were incurred. Revenue from application, registration and other fees increased by 1.2 per cent. The closing balance in the operating reserve is \$14,451,559.

COST MANAGEMENT

Total expenses for 2010 were \$17,403,915 (excluding those associated with 40 Sheppard), which is 5.8 per cent lower than budget. Major expenditure variances versus annual budget are noted below:

- Full-time staff salaries and benefits were \$774,411 lower than budget;
- Contractors and temporary staff costs were \$164,372 above budget;
- Costs for purchased services were \$163,619 lower than expected;
- Legal and tribunal expenses were \$59,033 higher than budget;
- Volunteer business expenses were \$157,926 lower than expected;
- Chapters expenses were \$172,823 lower than budget;
- Expenses for consultants were \$10,722 higher than projected;
- Computers and telephone expenses were \$55,737 higher than estimated;
- Amortization was \$166,689 higher than budget; and
- Training and development costs were \$70,714 lower than expected.

2010 BUDGET VARIANCES BY BUSINESS UNIT

Administrative Services

For 2010, expenditures were \$17,861 or 0.5 per cent above budget. Variances include lower security costs (\$51,650), due to inclusion of these costs in the 40 Sheppard spending. Employee future benefits came in \$514,557 better than plan, but were offset by higher than originally forecast occupancy costs (\$543,544).

Communications and Chapters

For 2010, expenditures were \$242,042 or 7.6 per cent below budget. This was due to lower than budgeted salaries and benefits (\$169,385) with the transfer of two employees part-way through the year, not filling one budgeted position, and filling a staff leave vacancy with a contract person. Savings on external meetings (\$25,070) and special events (\$37,079) also contributed to lower than expected spending.

Executive

For 2010, expenditures were \$40,626 or 5.0 per cent above budget, partially as a result of hiring an executive intern in July. Costs to represent PEO at AGMs, council meetings, PEO-related meetings and other functions in 2010 were \$49,593 higher than budgeted.

Governance and Culture

For 2010, expenditures were \$109,814 or 6.5 per cent under budget. This was due to favourable spending versus budget on salaries and benefits (\$14,030), staff training (\$15,256), volunteer training (\$23,346), council election spending (\$30,688), and volunteer recognition (\$40,500). Higher than expected spending was found in staff contingencies (\$55,699).

Information and Technology Services

For 2010, expenditures were \$133,165 or 8.4 per cent over budget, due to the cost to maintain networks (\$31,359), host outsourcing (\$63,232), and hardware support contracts for printers (\$9,476).

Legal Services

For 2010, expenditures were \$150,855 or 18.9 per cent under budget, due to lower than expected salaries and benefits (\$136,971) and printing costs (\$15,000).

Licensing and Registration

For 2010, expenditures were \$576,595 or 13.1 per cent lower than budget. Outsourcing and salaries and benefits costs were \$168,665 lower than expected. In addition, there was below budget spending in police background checking (\$123,089) and the internship program (\$121,415), and costs to process applicants' appeals (\$54,400).

Regulatory Compliance

For 2010, expenditures were \$14,744 or 1.0 per cent under budget. There were lower than expected staffing costs (\$61,195), lower outsourcing costs on mediations (\$10,000) and lower than expected costs for investigations (\$10,723). These were offset by higher than budgeted legal costs within discipline (\$87,227).

Standards and Tribunals

For 2010, the standards and tribunals operations expenditures came in at \$233,617, or 20 per cent, below the approved budget of \$1,163,600. This surplus, however, includes \$177,400 for salaries and benefits for the two council-approved staff positions in the department that have yet to be filled. Taking into consideration the unfilled staff positions, the overall net position for the department in 2010 is \$56,200. There was \$107,700 unspent budget in the area of tribunals (discipline and registration) operations because of a lower than forecast number of hearing days. However, the department spent \$70,000 over budget in committee expenditures, primarily for litigation costs associated with unexpected court proceedings. These included a judicial review application before the Divisional Court of Ontario where the Discipline Committee was

named as the sole respondent, as well as an Ontario Human Rights Tribunal matter that named the Registration Committee as the sole respondent.

Council-directed initiatives

For 2010, the net expenditures for the projects approved by council amounted to \$774,138. This figure includes \$45,033 for the Province-wide Mentoring Program, \$198,934 for sponsorship of the Engineers Canada advertising campaign, and \$451,889 for the Ontario Centre for Engineering and Public Policy.

Staff and volunteers contributed greatly in carrying out these council-directed initiatives. In 2010, a total of \$61,872 in staff salaries and benefits costs was directly attributable to these initiatives.

40 Sheppard Building operations

Operations at 40 Sheppard (excluding PEO rent) included revenue of \$2,863,881 and expenses of \$2,824,422 for a positive contribution of \$39,459.

PEO occupied 38,558 square feet at December 31, 2010. The market rental of this is \$19.50/square foot, and operating costs are \$16.69/square foot. PEO's equivalent costs would be \$1,395,414 for 2010. PEO paid \$1,210,538 in interest and accommodation expense, leading to a net value of ownership estimate of \$184,876.

CONCLUSION

The association has managed its affairs responsibly and leaves 2010 with an enhanced balance sheet and a healthy operating reserve to carry out its regulatory mandate. Σ

2010 DEPARTMENTAL COSTS (\$M)

