



I N A N C I A L S T A T E M E N T S

To the Members of the Association of Professional Engineers of Ontario:

We have audited the balance sheet of the Association of Professional Engineers of Ontario as at December 31, 2005 and the statements of revenue and expenses, changes in operating reserve and cash flows 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 Canadian 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Deloitte.

Chartered Accountants
Toronto, Ontario
February 3, 2006

Balance Sheet

December 31, 2005

			2005	2004
ASSETS	CURRENT	Cash	\$ 457,445	\$ 704,453
		Marketable securities (market value \$818,972; 2004-\$5,372,587)	816,971	5,328,508
		Accounts receivable	583,835	593,405
		Prepaid expenses	303,501	275,082
			2,161,752	6,901,448
	PORTFOLIO INVESTMENTS (market value \$14,241,885; 2004-\$7,991,882)	14,320,584	7,894,645	
	CAPITAL ASSETS (Note 4)	853,088	795,239	
		17,335,424	15,591,332	
LIABILITIES	CURRENT	Accounts payable and accrued liabilities	855,027	799,953
		Fees in advance and deposits	7,006,326	6,752,032
			7,861,353	7,551,985
	EMPLOYEE FUTURE BENEFITS (Note 5)	1,960,056	1,797,171	
		9,821,409	9,349,156	
OPERATING RESERVE	INVESTED IN CAPITAL ASSETS	853,088	795,239	
	INTERNALLY RESTRICTED	6,660,927	5,446,937	
		7,514,015	6,242,176	

On behalf of the Council: Member–Robert A. Goodings, P.Eng.; Member–Patrick Quinn, P.Eng.

\$17,335,424 | \$ 15,591,332

Statement of Revenue and Expenses

Year Ended December 31, 2005

		2005			2004
		OPERATING FUNDS (NOTE 3)	DISCRETIONARY RESERVE (NOTE 3)	TOTAL	TOTAL
REVENUE	P.Eng. revenue	\$ 11,471,713	–	\$ 11,471,713	\$ 11,094,151
	Application, registration, examination and other fees	3,433,072	–	3,433,072	3,475,450
	Investment income	612,787	–	612,787	554,089
	Advertising income	474,140	–	474,140	646,736
		15,991,712	–	15,991,712	15,770,426
EXPENSES	Full-time staff salaries and benefits (Note 6)	5,450,880	105,211	5,556,091	5,386,207
	Retiree and full-time staff future benefits	1,168,645	–	1,168,645	1,598,692
	Occupancy costs	1,233,965	5,931	1,239,896	1,178,620
	Purchased services	955,673	333	956,006	922,909
	Legal and tribunal	720,886	64,310	785,196	748,867
	CCPE	738,392	–	738,392	726,880
	Volunteer business expenses	704,509	14,420	718,929	551,944
	Contractors and temporary staff	489,212	14,999	504,211	631,425
	Chapters	485,510	–	485,510	462,427
	Postage and courier	446,230	19	446,249	482,623
	Consultants	302,639	126,417	429,056	391,422
	Amortization	342,476	–	342,476	377,425
	Computers and telephone	219,957	348	220,305	269,777
	Transaction fees and commission	197,389	–	197,389	177,626
	Insurance	186,459	–	186,459	207,036
	Advertisement	182,733	–	182,733	118,314
	Printing and photocopying	171,095	–	171,095	197,544
	Office supplies	151,396	–	151,396	219,297
	Staff business expenses	106,025	3,610	109,635	91,224
	Recognition, grants and awards	55,399	10,107	65,506	58,196
Training and development	63,311	1,388	64,699	44,491	
		14,372,781	347,093	14,719,874	14,842,946
	Excess of revenue over expenses (expenses over revenue)	\$ 1,618,931	\$ 347,093	\$ 1,271,838	\$ 927,480

Statement of Changes in Operating Reserve

Year Ended December 31, 2005

	2005							2004
	COUNCIL INTERNALLY RESTRICTED FUNDS FOR LONG-TERM PURPOSES			MEMBERSHIP FEE STABILIZATION FUNDS			TOTAL	TOTAL
	INVESTED IN CAPITAL ASSETS	COUNCIL INTERNALLY RESTRICTED FUND	TOTAL	COUNCIL DISCRETIONARY RESERVE FUND	COUNCIL GENERAL FUND	TOTAL		
Balance, beginning of year	\$ 795,239	\$ 2,704,761	\$ 3,500,000	\$ 1,600,000	\$1,142,176	\$2,742,176	\$6,242,176	\$5,314,696
(Deficiency) Excess of revenue over expenses	(342,476)	–	(342,476)	(347,093)	1,961,408	1,614,315	1,271,839	927,480
Investment in capital assets	400,325	–	400,325	(400,325)	–	(400,325)	–	–
Internally imposed restrictions (Note 7)	–	(857,849)	(857,849)	2,007,418	(1,149,569)	857,849	–	–
Balance, end of year	\$ 853,088	\$ 1,846,912	\$2,700,000	\$ 2,860,000	\$1,954,015	\$4,814,015	\$7,514,015	\$6,242,176

Statement of Cash Flows

Year Ended December 31, 2005

			2005	2004	
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES	OPERATING	Excess of revenue over expenses	\$ 1,271,839	\$ 927,480	
		Items not involving cash or marketable securities	Amortization	342,476	373,860
			Amortization of deferred lease inducement	–	(81,533)
			Employee future benefits	162,885	865,967
				1,777,200	2,085,774
		Change in non-cash working capital items (Note 8)	290,519	445,268	
		2,067,719	2,531,042		
	INVESTING	Additions to capital assets	(400,325)	(332,401)	
		Increase in portfolio investments	(6,425,939)	881,582	
			(6,826,264)	549,181	
(DECREASE) INCREASE IN CASH AND MARKETABLE SECURITIES			(4,758,545)	3,080,223	
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR			6,032,961	2,952,737	
CASH AND MARKETABLE SECURITIES, END OF YEAR			1,274,416	6,032,960	
CASH AND MARKETABLE SECURITIES IS COMPRISED OF:	Cash	457,445	704,453		
	Marketable securities	816,971	5,328,508		
			\$ 1,274,416	\$ 6,032,961	

Notes to Financial Statements

December 31, 2005

1. NATURE OF OPERATIONS

The Association of Professional Engineers of Ontario is incorporated by an Act of the Legislature of the Province 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

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations, and reflect the following accounting policies:

Revenue recognition

Licence fee revenue is recognized as income on a monthly basis over the licence period. Other revenues are recognized when the related services are provided.

Marketable securities and portfolio investments

Marketable securities are recorded at the lower of cost or market while portfolio investments are recorded at cost less a provision, if necessary, for decline in value that is considered to be permanent. Investments in bonds are reported at cost adjusted by the amortization of any discounts or premiums over the period to their maturity. Marketable securities include investments that mature on or before December 31, 2006 whereas portfolio investments include those investments that mature after December 31, 2006.

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.

Employee future benefits

The association accrues its obligations under employee benefit plans and the related costs, net of plan assets. The association has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10 per cent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 14 years, 14 years for the pension plans, and 14 years for the retirement benefits plan.
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

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% to 33%
Leasehold improvements	- 10%

Use of estimates

The preparation of financial statements in conformity with Canadian 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. OPERATING FUNDS AND DISCRETIONARY RESERVE FUND

General operating revenues and expenses of the association are recorded in the Operating Funds in the statement of revenue and expenses. These activities are authorized through the Council-approved budget. The Discretionary Reserve Fund is used at the discretion of Council to record expenses related to Strategic Plan initiatives and other special projects approved by Council. Expenses incurred during the year in the Discretionary Reserve Fund are as follows:

Full-time staff salaries and benefits related to Strategic Plan initiatives and special projects assigned by Council	\$105,211
Government Liaison Program	135,696
Bill 124 legal challenge	60,000
Strategic Plan initiatives (non-labour)	26,014
Privacy project (carried over from 2004)	14,999
Accommodation Task Force additional fund	4,310
Seamless Transition project	863
	\$347,093

4. CAPITAL ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, fixtures and microfilm equipment	\$1,349,976	\$1,114,964	\$235,012	\$209,572
Computer equipment	2,561,476	1,948,852	612,624	578,847
Leasehold improvements	147,017	141,565	5,452	6,820
	\$4,058,469	\$3,205,381	\$853,088	\$795,239

5. EMPLOYEE FUTURE BENEFITS

The association's pension plans, covering substantially all employees (full-time and retirees), are defined benefit pension plans.

The association has a contributory defined benefit final average pension plan. 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. The pension plan provides pension benefits based on length of service and best average earnings.

The association also provides extended health care, hospitalization and dental benefits to substantially all of its employees.

The funded status of the association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2005, was as follows:

	Pension Plans	Other Benefit Plan	Total 2005
Accrued benefit obligation	\$(10,368,923)	\$(5,896,477)	\$(16,265,400)
Fair value of plan assets	10,982,863	—	10,982,863
Funded status—plan deficit	613,940	(5,896,477)	(5,282,537)
Unamortized transitional obligation	17,416	1,090,666	1,108,082
Unamortized net actuarial losses	73,597	2,140,802	2,214,399
Accrued benefit asset (liability)	\$704,953	\$(2,665,009)	\$(1,960,056)

Details of the accrued benefit obligation are as follows:

	Pension Plans	Other Benefit Plan	Total 2005
Accrued benefit obligation, beginning of the year	\$11,620,242	\$4,659,932	\$16,280,174
Current service cost	656,746	226,510	883,256
Contributions—employees	238,467	-	238,467
Interest cost on obligation	548,263	263,195	811,458
Benefit payments	(418,572)	(87,692)	(506,264)
Actuarial (gain) loss on obligation	(2,276,223)	834,532	(1,441,691)
Accrued benefit obligation, end of the year	\$10,368,923	\$5,896,477	\$16,265,400

The plan expense for the year is determined as follows:

	Pension Plans	Other Benefit Plan	Total 2005
Current service cost	\$656,746	\$226,510	\$883,256
Interest cost on obligation	548,263	263,195	811,458
Expected return on plan assets	(650,844)	-	(650,844)
Amortization of transitional obligation	3,685	90,889	94,574
Amortization of net actuarial loss	(503)	30,704	30,201
Plan expense	\$557,347	\$611,298	\$1,168,645

The employer contributions to the pension plans amounted to \$918,179 and \$87,692 to the other benefit plan.

The significant actuarial assumptions adopted in measuring the association's accrued benefit obligation are as follows:

	Pension Plans	Other Benefit Plan
Discount rate	6.00%	6.00%
Expected long-term rate of return on plan assets	3.50-7.00%	-
Rate of compensation increase	2.0%	-
Medical benefits cost escalation—hospitalization	-	5.00%
Medical benefits cost escalation—extended health care	-	2.50%
Dental benefits cost escalation	-	2.50%

6. FULL-TIME SALARIES AND BENEFITS

During the year, the association incurred a total of \$5,556,091 of salary and benefit costs for its full-time staff of which \$105,211 was directly attributable to Strategic Plan initiatives and other special projects approved by Council.

7. INTERNALLY IMPOSED RESTRICTIONS

Internally imposed restrictions have been made to adjust Council Internally Restricted Funds for Long-Term Purposes and the Council Discretionary Reserve Fund portion of Membership Fee Stabilization Funds to amounts approved in the Council-approved operating reserve policy.

8. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2005	2004
Accounts receivable	\$9,570	\$31,687
Prepaid expenses	(28,419)	32,756
Account payable and accrued liabilities	55,074	(344,192)
Fees in advance and deposits	254,294	725,017
	\$290,519	\$445,268

9. TRUST ACCOUNTS

The association maintains a separate bank account for the Council of Ontario Deans of Engineering. Funds totaling \$48,713 (2004—\$42,589) are not reported on the association's balance sheet as they are held in trust for the council.

10. LEASE COMMITMENTS

The association has obligations under non-cancelable operating leases for its premises. The future minimum lease payments to the expiry of the leases are as follows:

2006	\$672,795
2007	672,795
2008	672,795
2009	672,795
	\$2,691,180

11. 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. Although the association is vigorously defending these claims, a provision for certain of them has been made in these financial statements.

12. CHAPTERS OF THE ASSOCIATION

The financial information of the 38 chapters of the association has not been consolidated in these financial statements as chapters are considered financially insignificant on an individual chapter basis. Furthermore, the effort and cost required to prepare financial statements of each chapter for consolidation far exceed the benefits from doing so.

During the year, the association paid chapter expenses totalling \$485,510 (2004—\$462,427) including \$331,161 (2004—\$301,895) allotments to individual chapters. In 2005, the association also incurred additional costs of \$443,491 (2004—\$279,505) related to chapter operations, including staff salaries and benefit, staff and volunteer business expenses, Start II, and support activities. These amounts have been included in the various Operating Fund expenses reported on the Statement of Revenue and Expenses.

13. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.