



# 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, 2006 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, 2006 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  
January 31, 2007

# Balance Sheet

December 31, 2006

			2006	2005 (Note 13)
ASSETS	CURRENT	Cash	\$ 1,097,649	\$ 457,445
		Investments (market value \$17,272,814; 2005-\$15,060,857)	17,093,045	15,137,555
		Accounts receivable	557,182	583,835
		Prepaid expenses	309,361	303,501
			19,057,237	16,482,336
		CAPITAL ASSETS (Note 4)		660,048
			19,717,285	17,335,424
LIABILITIES	CURRENT	Accounts payable and accrued liabilities	804,833	855,027
		Fees in advance and deposits	7,712,096	7,006,326
			8,516,929	7,861,353
	EMPLOYEE FUTURE BENEFITS (Note 5)		2,859,262	1,960,056
		11,376,191	9,821,409	
OPERATING RESERVE	INVESTED IN CAPITAL ASSETS		660,048	853,088
	INTERNALLY RESTRICTED		7,681,046	6,660,927
			8,341,094	7,514,015
			<b>\$19,717,285</b>	<b>\$17,335,424</b>

On behalf of the Council: Member–Patrick Quinn, P.Eng.; Member–Walter Bilanski, P.Eng.

## Statement of Revenue and Expenses

Year Ended December 31, 2006

		2006			2005
		OPERATING FUNDS (NOTE 3)	DISCRETIONARY RESERVE (NOTE 3)	TOTAL	TOTAL
REVENUE	P.Eng. revenue	\$ 11,763,373	–	\$ 11,763,373	\$ 11,471,713
	Application, registration, examination and other fees	3,750,017	–	3,750,017	3,433,072
	Investment income	510,677	–	510,677	612,787
	Advertising income	632,035	–	632,035	474,140
		16,656,102	–	16,656,102	15,991,712
EXPENSES	Full-time staff salaries and benefits (Note 6)	5,799,645	124,255	5,923,900	5,556,091
	Retiree and full-time staff future benefits	1,603,260	–	1,603,260	1,168,645
	Occupancy costs	1,294,898	–	1,294,898	1,239,896
	Purchased services	1,055,650	37,912	1,093,562	956,006
	Legal and tribunal	740,655	160,155	900,810	785,196
	CCPE	731,618	–	731,618	738,392
	Volunteer business expenses	654,028	6,640	660,668	718,929
	Contractors and temporary staff	440,378	21,749	462,127	504,211
	Chapters	435,560	–	435,560	485,510
	Postage and courier	461,869	185	462,054	446,249
	Consultants	456,529	30,549	487,078	429,056
	Amortization	335,927	–	335,927	342,476
	Computers and telephone	247,728	3,188	250,916	220,305
	Transaction fees and commission	171,267	–	171,267	197,389
	Insurance	118,223	–	118,223	186,459
	Advertisement	164,875	15,611	180,486	182,733
	Printing and photocopying	188,985	–	188,985	171,095
	Office supplies	174,236	178	174,414	151,396
	Staff business expenses	118,142	3,451	121,593	109,635
	Recognition, grants and awards	155,265	–	155,265	65,506
Training and development	76,412	–	76,412	64,699	
		15,425,150	403,873	15,829,023	14,719,874
Excess of revenue over expenses (expenses over revenue)		\$ 1,230,952	\$ (403,873)	\$ 827,079	\$ 1,271,838

# Statement of Changes in Operating Reserve

Year Ended December 31, 2006

	2006							2005
	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	\$ 853,088	\$ 1,846,912	\$ 2,700,000	\$ 2,860,000	\$ 1,954,015	\$ 4,814,015	\$ 7,514,015	\$ 6,242,176
(Deficiency) Excess of revenue over expenses	(335,927)	–	(335,927)	(403,873)	1,566,879	1,163,006	827,079	1,271,839
Additions to capital assets	142,887	–	142,887	(142,887)	–	(142,887)	–	–
Internally imposed restrictions (Note 7)	–	493,040	493,040	(1,213,240)	720,200	(493,040)	–	–
Balance, end of year	\$ 660,048	\$ 2,339,952	\$ 3,000,000	\$ 1,100,000	\$ 4,241,094	\$ 5,341,094	\$ 8,341,094	\$ 7,514,015

# Statement of Cash Flows

Year Ended December 31, 2006

		2006	2005		
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES	OPERATING	Excess of revenue over expenses—General funds	\$ 1,230,952	\$ 1,618,932	
		Excess of revenue over expenses—Discretionary reserve funds	(403,873)	(347,093)	
		Items not involving cash or marketable securities	Amortization	335,927	342,476
			Employee future benefits	899,206	162,885
		Change in non-cash working capital items (Note 8)	676,369	290,519	
			2,738,581	2,067,719	
	INVESTING	Net increase in investments	(1,955,490)	(1,914,402)	
		Additions to capital assets	(142,887)	(400,325)	
			(2,098,377)	(2,314,727)	
	INCREASE IN CASH		640,204	(247,008)	
CASH BEGINNING OF YEAR		457,445	704,453		
CASH END OF YEAR		1,097,649	457,445		

## Notes to Financial Statements

December 31, 2006

### 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 in order to protect the public interest. As a not-for-profit professional membership organization it is exempt from tax under section 149(1) of the *Income Tax Act*.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards applicable 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.

#### 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 for active employees is 14 years.
- 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	10% to 33%
Leasehold improvements	10% to 33%

#### 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.

### 4. CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, fixtures and microfilm equipment	\$1,367,012	\$1,156,523	\$210,489	\$235,012
Computer equipment	2,656,769	2,241,426	415,343	612,624
Leasehold improvements	177,574	143,358	34,216	5,452
	\$4,201,355	\$3,541,307	\$660,048	\$853,088

### 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, 2006 was as follows:

	Pension Plans	Other Benefit Plan	Total 2006
Accrued benefit obligation	\$(13,384,539)	\$(6,661,790)	\$(20,046,329)
Fair value of plan assets	12,490,695	—	12,490,695
Funded status—plan deficit	(893,844)	(6,661,790)	(7,555,634)
Unamortized transitional obligation	13,731	999,777	1,013,508
Unamortized net actuarial losses	1,438,208	2,244,656	3,682,864
Accrued benefit asset (liability)	\$558,095	\$(3,417,357)	\$(2,859,262)

Details of the accrued benefit obligation are as follows:

	Pension Plans	Other Benefit Plan	Total 2006
Accrued benefit obligation, beginning of the year	\$(12,208,981)	\$(6,125,874)	\$(18,334,855)
Current service cost	(782,905)	(312,641)	(1,095,546)
Contributions—employees	(241,226)	—	(241,226)
Interest cost on obligation	(643,327)	(319,520)	(962,847)
Benefit payments	491,900	96,245	588,145
Accrued benefit obligation, end of the year	\$ (13,384,539)	\$(6,661,790)	\$(20,046,329)

The plan expense for the year is determined as follows:

	Pension Plans	Other Benefit Plan	Total 2006
Current service cost	\$782,905	\$312,641	\$1,095,546
Interest cost on obligation	643,327	319,520	962,847
Expected return on plan assets	(736,224)	—	(736,224)
Amortization of transitional obligation	3,685	90,889	94,574
Amortization of net actuarial loss	49,964	125,544	175,508
Plan expense	\$743,657	\$848,594	\$1,592,251

The employer contributions to the pension plans amounted to \$596,799 and \$96,245 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	5.00%	5.00%
Expected long-term rate of return on plan assets	3.50-7.00%	—
Rate of compensation increase	2.5%	—
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 \$5,923,900 of salary and benefit costs for its full-time staff, of which \$124,255 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 the 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

	2006	2005
Accounts receivable	\$26,653	\$9,570
Prepaid expenses	(5,860)	(28,419)
Accounts payable and accrued liabilities	(50,194)	55,074
Fees in advance and deposits	705,770	254,294
	\$ 676,369	\$290,519

## 9. TRUST ACCOUNTS

The association maintains a separate bank account for the Council of Ontario Deans of Engineering. Funds totaling \$63,683 (2005—\$48,714) 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 and equipment. The future lease payments to the expiry of the leases are as follows:

2007	\$ 1,365,238
2008	1,365,238
2009	1,365,238
2010	38,000
	\$ 4,133,714

## 11. CONTINGENT LIABILITIES

Various claims have been made against the association. According to management, none of the claims, once settled, are likely to result in loss to the association.

## 12. CHAPTERS OF THE ASSOCIATION

The financial information of the 37 chapters of the association has not been consolidated in these financial statements, as such information is considered to be insignificant. Furthermore, management believes that the effort and cost required to prepare financial statements from each chapter for consolidation purposes far exceed the benefits from doing so.

During the year, the association paid chapter expenses totaling \$435,560 (2005—\$485,510) including \$334,297 (2005—\$331,161) of allotments to individual chapters. In 2006, the association also incurred additional costs of \$450,843 (2005—\$443,491) related to chapter operations, including staff salaries and benefits, 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.