

## Treasurer's Report and Financial Statement Analysis

As of December 31, 2006

PEO further strengthened its financial position in 2006 with an excess of revenues over expenses of \$827,000 and reported an operating surplus for the third consecutive year. This positive performance, which may be attributed to a further reduction in expenditures by 2 per cent, strengthens PEO's financial position with an enhanced balance sheet and an improved operating reserve of \$8.3 million.

In 2006, PEO realized revenues of \$16.7 million. Revenues from miscellaneous fees increased by 18 per cent over budget as a result of an amended fee structure and an increase in the number of internationally trained applicants. Advertising income increased by 17 per cent to \$632,000. Investment income was lower than that of the previous year due to an adoption of a new investment policy that allocated approximately 10 per cent of PEO's portfolio into equities. Expected better performance of the equities should make up for the drop in investment income. Total expenditures for 2006 were \$15.8 million.

### COST MANAGEMENT

Cost reductions, efficiencies in the procurement of goods and services, and prudent management practices resulted in tightly controlled costs in the following areas:

- Due to unfilled vacant positions, full-time salaries and benefits were \$295,000 lower than expected. However, these savings were partially offset by an increase of \$129,000 for employee future benefits;
- Costs for accommodation, mileage, meals and supplies for chapters and for events like the AGM, Order of Honour, Ontario Professional Engineers Awards (OPEA) were \$139,600 lower than expected;
- Volunteer business expenses were \$74,000 lower than expected;
- Postage and courier costs were \$66,000 lower than expected; and
- Purchased services costs were \$62,000 lower than expected.

### 2006 BUDGET VARIANCES BY BUSINESS UNIT

#### Administrative Services

The continued deployment of advanced technologies and automated accounts receivable processes enabled PEO to provide better services to its members and at the same time improve its cash flow position. In addition to the operational credit card payment portal, an integrated online bill-payment portal was implemented, offering members a single, convenient point of access for making payments.

Savings of over \$56,800 were realized in facilities maintenance and for the reduced usage of stationery, forms and postage associated with the mailing of paper invoices and reminder notices. Additional savings of \$49,400 were realized by eliminating a contract position and by reduced hiring of temps. Savings of \$27,350 were realized through reviewing maintenance contracts and procuring cost-effective telephone and facility services.

#### Governance

Savings of \$37,000 and \$30,000 were realized by way of reduced insurance costs and salaries and benefits, respectively. Lower legal costs of \$22,000 for representing PEO, along with savings of \$35,000 for policy development, contributed to the overall favourable financial results. In addition, savings of over \$63,000 resulted from lower than expected committee expenditures.

#### Human Resources

There was an increase of \$129,000 in costs associated with employee benefits and an increase of \$15,740 for actuarial service fees. These were partially offset by savings of \$46,000 in training programs for volunteers that were deferred for the year.

#### Information and Technology Services

IT services at PEO continued in its endeavours to offer better services to staff, chapters and other volunteers to increase efficiencies through greater desktop support, web portal management and various enhancements to its technology infrastructure. Savings of \$29,000 in web-portal management initiatives were offset by increased costs of \$34,000 for data security-related projects and \$12,000 for activities related to core operations.

#### Licensing and Registration

The number of new P.Eng. licences issued to graduates of Canadian Engineering Accreditation Board (CEAB)-accredited programs increased from 1076 in 2005 to 1115 in 2006, the highest level since 2001. In addition, the number of licences issued to non-CEAB graduates for the second time ever and for the second consecutive year exceeded the number of licences issued to CEAB graduates, reaching an all-time high of 1182 in 2006. Process improvements, the dedicated contributions of Academic Requirements Committee (ARC) and Experience Requirements Committee (ERC) members, especially the streamlined two-person ERC interviews and the continued efforts of Licensing and Registration staff, contributed to this significant accomplishment.

The Licensing and Registration department achieved a favourable result of more than \$170,000 under budget. Savings of over \$50,000 in postage, courier expenses, printing costs, advertisements and sponsorship costs were realized. Additional savings of over \$120,000 were realized in reduced costs for salaries, benefits and activities related to other core operations.

### Chapters and Communications

For 2006, the expenditures were \$369,000 or 15 per cent below budget. The savings were primarily in the areas of the Annual General Meeting, which was \$98,000 lower than budgeted due to a change in format after the budget was approved; branding, which was \$39,000 lower than budgeted due to control of costs; corporate communications, which was \$31,000 lower than budgeted due to control of the printing and postage costs for the Annual Report; and the Ontario Professional Engineers Awards, which was \$47,500 less than budgeted due to changes in format and a division of responsibilities between PEO and the Ontario Society of Professional Engineers. Additional savings were realized by way of reduced expenditures for salaries and benefits, due to unfilled positions, and reduced committee expenses.

### Regulatory Compliance

An increase in the number of complaints filed (43 vs. 35 budgeted) and disciplinary activities (20 hearings vs. 17 budgeted) along with costs to investigate and prepare for registration hearings, resulted in higher than budgeted costs of \$255,000. Costs for enforcement-related activities were in line with the budget.

### Standards and Regulations

The Standards and Regulations department achieved a favourable result of \$152,000 under budget. This was due to savings of \$42,000 realized in the Government Liaison Program; \$97,000 in savings realized in Tribunal operations (Registration as well as Discipline) and savings of \$14,000 in legal costs associated with the development of practice advisory guidelines.

### Council-directed Initiatives

In 2006, the costs for the projects approved by Council amounted to \$280,000. This figure includes \$160,200 in costs incurred for the OBCA (*Ontario Building Code Act*) legal challenge, as well as \$21,710 for the Value Engineering Energy workshop.

Staff and volunteers contributed greatly in carrying out these Council-directed initiatives. In 2006, a total of \$124,255 in staff salaries and benefits costs was directly attributable to these initiatives, which included over \$10,000 of unpaid staff overtime contributions.

### SUMMARY

The association has managed its affairs responsibly and leaves 2006 with an enhanced balance sheet and a stronger operating reserve to carry out its regulatory mandate.



(Left to right) Wendy Zhou, manager, financial services and business planning; Frank Borsi, CA, director, administrative services and treasurer; and Chetan Mehta, manager, financial reporting and procurement.

Questions about PEO's financial statements may be directed to Frank Borsi, by email at [fborsi@peo.on.ca](mailto:fborsi@peo.on.ca) or by phone at 416-840-1120.

