

## 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, 2009 and the statements of revenue, expenses and change 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Deloitte.**

Chartered Accountants  
Licensed Public Accountants  
February 3, 2010

# FINANCIAL STATEMENTS

## BALANCE SHEET

YEAR ENDED DECEMBER 31, 2009

			2009	2008
ASSETS	CURRENT	Cash in interest-bearing accounts	\$ 3,223,931	\$ 294,776
		Marketable securities at market value	13,052,373	22,753,692
		Accounts receivable	209,770	216,981
		Prepaid expenses and deposits	231,032	926,124
			16,717,106	24,191,573
		Capital assets (Note 3)	25,182,118	539,836
	Derivative assets (Note 5)	423,900	–	
		42,323,124	24,731,409	
LIABILITIES	CURRENT	Accounts payable and accrued liabilities	1,211,136	651,109
		Vendor mortgage (Note 5)	1,000,000	–
		Fees in advance and deposits	8,448,936	8,222,737
		Current portion of long-term debt (Note 5)	786,000	–
			11,446,072	8,873,846
	LONG-TERM	Long-term debt (Note 5)	12,738,000	–
Employee future benefits (Note 6)		5,234,791	4,281,274	
		29,418,863	13,155,120	
	Operating reserve (Note 7)	12,904,261	11,576,289	
			\$ 42,323,124	\$ 24,731,409

On behalf of the council: Catherine Karakatsanis, P.Eng., president; Diane Freeman, P.Eng., president-elect;  
Kim Allen, P.Eng., CEO/registrar

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

			2009	2008
OPERATING	Excess of revenue over expenses from operations	\$ 209,835	\$ 1,508,150	
	Discretionary reserve expenditures	(804,418)	(252,967)	
	Discretionary building reserve additions	1,240,370	741,845	
	Add (deduct) items not affecting cash			
	Amortization	657,364	290,897	
	Employee future benefits	1,801,146	1,666,295	
	Loss (gain) on disposal of marketable securities	6,448	(177,229)	
		3,110,745	3,776,991	
	Change in non-cash working capital items (Note 11)	1,488,529	(323,135)	
		4,599,274	3,453,856	
FINANCING	Proceeds from long-term debt	14,100,000	–	
	Proceeds from vendor mortgage	1,000,000	–	
	Repayment of long-term debt	(576,000)	–	
	Employee future benefit payments	(847,629)	(1,113,386)	
	13,676,371	(1,113,386)		
INVESTING	Proceeds of disposal of marketable securities	10,355,000	–	
	Acquisition of marketable securities	(401,844)	(2,489,342)	
	Additions to capital assets	(25,299,646)	(230,924)	
	(15,346,490)	(2,720,266)		
Increase (decrease) in cash		2,929,155	(379,796)	
Cash, beginning of year		294,776	674,572	
<b>Cash, end of year</b>		<b>\$ 3,223,931</b>	<b>\$ 294,776</b>	

**STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN THE OPERATING RESERVE**

YEAR ENDED DECEMBER 31, 2009

		2009	2008
<b>REVENUE</b>	P.Eng. revenue	\$ 12,530,989	\$ 12,418,541
	Application, registration, exam and other fees	4,414,770	4,301,800
	Investment income	531,649	1,079,766
	Advertising income	490,359	603,074
	40 Sheppard revenue (Note 4)	2,388,035	–
		<b>20,355,802</b>	18,403,181
<b>EXPENSES</b>	Full-time staff salaries and benefits	8,034,947	7,369,121
	Retiree and full-time staff future benefits	1,121,860	1,042,754
	Occupancy costs	1,356,761	1,313,612
	Purchased services	1,066,337	1,011,832
	Legal and tribunal	643,835	688,858
	Engineers Canada	781,494	760,553
	Volunteer business expenses	806,889	717,877
	Contractors and temporary staff	261,938	399,574
	Chapters (Note 15)	539,497	540,450
	Postage and courier	522,083	531,871
	Consultants	329,144	327,712
	Amortization	329,223	290,897
	Computers and telephone	711,942	588,463
	Transaction fees and commission	361,883	386,142
	Insurance	142,803	122,216
	Advertisement	134,842	101,731
	Printing and photocopying	217,537	197,238
	Office supplies	138,020	138,449
	Staff business expenses	172,811	166,258
	Recognition, grants and awards	143,632	139,263
	Training and development	48,449	60,160
	40 Sheppard expenses (Note 4)	2,280,040	–
		<b>20,145,967</b>	16,895,031
Excess of revenue over expenses from operations		209,835	1,508,150
Discretionary reserve expenditures (Note 8)		(804,418)	(252,967)
Discretionary building reserve additions (Note 9)		1,240,370	741,845
Reclassification adjustment for gains previously included in unrealized gains recognized during the year in revenue		(300,003)	(2,858)
Change in unrealized gains (losses) on available for sale financial assets		558,288	(323,770)
Gain on derivative designated as cash flow hedge (Note 5)		423,900	–
Reserve balance, beginning of year		11,576,289	9,905,889
<b>Reserve balance, end of year</b>		<b>\$ 12,904,261</b>	11,576,289

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

## 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 to not-for-profit organizations, and reflect the following accounting policies:

### (a) Financial instruments

The association has classified each of its financial instruments into the undernoted accounting categories. The category of an item determines its accounting treatment under the Canadian Institute of Chartered Accountants' standards on the recognition, measurement and presentation of financial instruments for not-for-profit organizations.

Financial instruments	Category
Cash	Held-for-trading
Marketable securities	Available for sale
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt and vendor mortgage	Other liabilities
Derivative asset	Held-for-trading

Held-for-trading items are measured at fair value, with changes in their fair value recognized in the statement of revenue, expenses and change in operating reserve in the current period unless the item qualifies for hedge accounting, in which case the change in the fair value of the effective portion of the hedge is recorded directly in operating reserve. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other liabilities are measured at amortized cost, using the effective interest method.

The fair value of marketable securities is determined directly from published price quotations in an active market.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturity. The carrying value of long-term debt and vendor mortgage approximate fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions for similar items.

Transaction costs are expensed as incurred.

As allowed under section 3855 "Financial Instruments–Recognition and Measurement," the association has elected not to account for non-financial contracts as derivatives and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The association has elected to follow the disclosure requirements of section 3861 "Financial Instruments–Disclosure and Presentation" of the CICA Handbook.

### (b) Derivative instruments–Interest rate swap

The association has entered into an interest rate swap agreement in order to manage the impact of fluctuations in interest rate on its long-term debt. The association's policy is not to utilize derivative instruments for trading or speculative purposes.

The interest rate swap held by the association is eligible for hedge accounting. To be eligible for hedge accounting, an instrument should meet generally accepted criteria with respect to identification, designation, documentation and effectiveness of the hedging relationship.

The fair value of derivative instruments eligible for cash flow hedge accounting is recognized on the balance sheet. The effective portion of changes in fair value of the hedging derivative is recorded directly in operating reserve while the ineffective portion, if any, is recognized in other income. When the hedging instrument is sold, terminated or ceases to be effective prior to maturity, hedge accounting is ceased prospectively and any gains or losses previously recorded in operating reserve are recognized in earnings in the same period as those on the hedged item. When the hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument, any gains or losses previously recorded in operating reserve are recognized immediately in other income.

Income and expenses on derivative instruments designated and qualifying as hedges are recognized in the statement of revenues and expense in the same period as the related hedged item. For interest rate swaps, this accounting treatment results in interest expense on long-term debt being reflected in the statement of revenues and expenses at the hedged fixed rate rather than at their original contractual interest rates. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value with changes in fair value recorded in the statement of revenue and expenses.

The association formally assessed at the hedge's inception and assesses on an ongoing basis, whether the derivative used continues to be effective.

### (c) Revenue recognition

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

### (d) 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.

### (e) 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 pro-rated on service, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health-care costs;
- Fair market value is used when calculating the expected return on plan assets;
- Based on an actuarial assessment that is conducted every three years, the asset base of the pension plan may have to be topped up. The amount of the top-up could be material. The most recent actuarial valuation was performed as at January 1, 2008 and results were projected to December 31, 2009;
- 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 12 years for the pension plans and 10 years for the other benefit plan; and

- 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.

### (f) 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%
Computer equipment	10% to 33%
Building	2%

The association's equity invested in capital assets is included as part of the total operating reserve on the balance sheet.

### (g) 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.

Accounts requiring significant estimates and assumptions include capital assets, accrued liabilities and employee future benefits.

## 3. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and microfilm equipment	1,625,089	1,476,484	148,605	169,444
Computer equipment	3,578,522	2,936,695	641,827	370,392
Building	20,338,523	313,140	20,025,383	–
Land	4,366,303	–	4,366,303	–
	<b>29,908,437</b>	<b>4,726,319</b>	<b>25,182,118</b>	<b>539,836</b>

## 4. BUILDING ACQUISITION

On March 11, 2009, the association purchased an office building located at 40 Sheppard Avenue West in Toronto. The acquisition cost of the building was \$22,575,000. Financing for the building included a first mortgage of \$14,100,000 and a vendor mortgage of \$1,000,000 (Note 5). The operating results of the building from the date of acquisition to December 31, 2009 are as follows:

# FINANCIAL STATEMENTS

<b>Revenue</b>	
Rental	1,037,043
Operating cost reimbursements	1,104,724
Parking	142,636
Miscellaneous	103,632
	<b>2,388,035</b>
<b>Recoverable expenses</b>	
Administrative	32,157
Insurance	9,185
Property management and advisory fees	72,581
Property taxes	522,401
Repairs and maintenance	122,227
Security	14,853
Utilities	304,106
Janitorial payroll	125,193
Payroll	130,337
Road and ground	17,952
	<b>1,350,992</b>
<b>Other expenses</b>	
Financing charges	15,000
Amortization of building	313,141
Interest expense on note and loan payable	594,777
Leasing fees	6,130
	<b>929,048</b>
Total expenses	<b>2,280,040</b>
Excess of revenue over expenses	<b>107,995</b>

## 5. BUILDING FINANCING

The Bank of Montreal Capital Markets Division provided \$14,100,000 as acquisition financing. The facility is secured by a first mortgage on 40 Sheppard Avenue West, a general security agreement, and a general assignment of tenant leases. This facility matures on March 11, 2019, and bears a floating interest rate based on variable banker's acceptances.

Principal repayments are due as follows:

	\$
2010	786,000
2011	808,000
2012	830,000
2013	854,000
2014	878,000
2015-2019	9,368,000

The association has entered into a swap agreement related to this loan, whereby the floating rate is swapped for a fixed rate debt with an interest rate of 4.95 per cent and settled on a net basis. The start date of the swap was March 11, 2009, with a maturity date of March 11, 2019. The fair value of the interest rate swap was calculated using the discounted cash

flow method. The fair value of the swap at December 31 was \$423,900 and is reflected as an asset on the balance sheet. The increase in fair value from nil at inception to \$423,900 at December 31, 2009 is recorded as an increase in the statement of changes in operating reserve.

The association financed \$1,000,000 of the cost of its building acquisition with a vendor mortgage. The interest rate on this facility is 4.95 per cent. The amount is repayable interest only on a monthly basis with a maturity of March 11, 2010. The facility is secured by a second mortgage on 40 Sheppard Avenue West.

## 6. 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. The pension plan ceased to accept new employees as of May 1, 2006.

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, 2009, was as follows:

	Pension plans	Other benefit plan	2009 Total
Accrued benefit obligation	(14,443,059)	(6,882,978)	<b>(21,326,037)</b>
Plan assets at fair value	14,358,315	-	<b>14,358,315</b>
Funded status—deficit	(84,744)	(6,882,978)	<b>(6,967,722)</b>
Unamortized transitional obligation	2,676	727,110	<b>729,786</b>
Unamortized net actuarial loss	738,667	264,478	<b>1,003,145</b>
Accrued benefit asset (liability)	656,599	(5,891,390)	<b>(5,234,791)</b>

Details of the accrued benefit obligation are as follows:

	Pension plans	Other benefit plan	2009 Total
Accrued benefit obligation, beginning of year	(13,773,049)	(8,013,825)	<b>(21,786,874)</b>
Current service cost	(583,894)	(278,425)	<b>(862,319)</b>
Contributions by the employees	(238,231)	–	<b>(238,231)</b>
Interest cost on accrued benefit obligation	(889,892)	(514,961)	<b>(1,404,853)</b>
Benefit payments	475,582	105,761	<b>581,343</b>
Actuarial gain on accrued benefit obligation	566,425	1,818,472	<b>2,384,897</b>
Accrued benefit obligation, end of year	(14,443,059)	(6,882,978)	<b>(21,326,037)</b>

The plan expense for the year is determined as follows:

	Pension plans	Other benefit plan	2009 Total
Current service cost	583,894	278,425	<b>862,319</b>
Interest cost on accrued benefit obligation	889,892	514,961	<b>1,404,853</b>
Expected return on plan assets	(785,028)	–	<b>(785,028)</b>
Amortization of transitional obligation	3,685	90,889	<b>94,574</b>
Amortization of net actuarial loss	125,846	98,582	<b>224,428</b>
Benefit expense	818,289	982,857	<b>1,801,146</b>

The employer contributions to the plans amounted to \$847,629 (\$1,113,386 in 2008).

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

	Pension plans	Other benefit plan
	%	%
Discount rate	<b>6.5</b>	<b>6.5</b>
Expected long-term rate of return on plan assets		
Basic plan	<b>6.5</b>	–
Supplementary plan	<b>3.25</b>	–
Salary projection	<b>3.5</b>	–
Medical benefits cost escalation		
Hospitalization	–	<b>(a)</b>
Extended health care	–	<b>(b)</b>
Dental benefits cost escalation	–	<b>(c)</b>

- (a) A 6.0 per cent cost escalation in fiscal 2009 decreasing 0.5 per cent per year to an ultimate rate of 4.0 per cent per annum.
- (b) A 12.0 per cent cost escalation in fiscal 2009 decreasing 0.5 per cent per year to an ultimate rate of 4.5 per cent per annum.
- (c) A 6.0 per cent cost escalation in fiscal 2009 decreasing 0.5 per cent per year to an ultimate rate of 4.0 per cent per annum.

## 7. OPERATING RESERVE

The operating reserve of the association is internally restricted to be used at the discretion of council. Included in the operating reserve are unrealized gains (losses) as follows:

	2009	2008
	\$	\$
Unrealized gains (losses) on available for sale financial instruments	<b>217,515</b>	(40,775)
Fair value of derivative designated as cash flow hedge	<b>423,900</b>	–
	<b>641,415</b>	(40,775)

The association's equity investment in capital assets of \$10,658,118 (2008–\$539,836) is also included as part of the operating reserve.

## 8. COUNCIL DISCRETIONARY RESERVE EXPENDITURES

The discretionary reserve is the council-approved allocation of the prior year's operating reserve and is used at the discretion of council to fund expenses related to special projects approved by council. Expenditures from the discretionary reserve were as follows:

	2009 Actual	2008 Actual
	\$	\$
Building Development Committee	<b>72,550</b>	132,182
Council policy projects	<b>19,294</b>	13,174
Ontario Centre for Engineering and Public Policy	<b>466,295</b>	42,134
Emerging Discipline Task Force	<b>17,306</b>	–
Study on PEO governance	–	4,520
Professional development	<b>4,023</b>	–
Sterling Award	<b>2,358</b>	–
Salary and benefit costs	<b>79,302</b>	60,957
Sponsorship of Engineering Summit	<b>143,290</b>	–
	<b>804,418</b>	252,967

## 9. COUNCIL DISCRETIONARY BUILDING RESERVE

In 2008, the association amended its bylaws in order to raise building capital to fund the improvements and development of a new office building. The amount of the building capital was confirmed by the members in accordance with the Profes-



# FINANCIAL STATEMENTS

sional Engineers Act. This capital amount is to be used to fund post-acquisition disbursements for its head-office building.

## 10. FULL-TIME SALARIES AND BENEFITS

During the year, the association incurred a total of \$8,114,248 (2008–\$7,430,078) for salary and benefits costs for its full-time staff, of which \$79,302 (2008–\$60,957) was directly attributable to special projects approved by council.

## 11. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2009	2008
	\$	\$
Accounts receivable	7,211	348,168
Prepaid expenses	695,092	(645,219)
Accounts payable and accrued liabilities	560,027	(200,103)
Fees in advance and deposits	226,199	174,019
	<b>1,488,529</b>	<b>(323,135)</b>

## 12. TRUST ACCOUNTS

The association maintains a separate bank account for the Council of Ontario Deans of Engineering. Cash totaling \$71,205 (2008–\$69,851) is not reported on the association's balance sheet, as they are held in trust for the council.

## 13. COMMITMENTS

The association has obligations under non-cancelable operating leases for its premises, equipment and service agreements. The payments to the expiry of the leases and agreements are as follows:

2010	404,000
2011	209,000
2012	52,000
	<b>665,000</b>

## 14. CONTINGENT LIABILITIES

Various claims have been made against the association. The outcome of these claims is not determinable as at December 31, 2009 and, accordingly, no provision has been made in these financial statements for any liability that may result. Any loss resulting from these claims will be recognized in the year when they become known.

## 15. CHAPTERS OF THE ASSOCIATION

The financial information of the 36 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 \$539,497 (2008–\$540,450) including \$416,009 (2008–\$407,498) of allotments and other disbursements to individual chapters. In 2009, the association also incurred additional costs of \$442,247 (2008–\$367,664) related to chapter operations, including staff salaries and benefits, and various support activities. These amounts have been included in discretionary reserve expenditures reported on the statement of revenue and expenses.

## 16. CAPITAL MANAGEMENT

The association defines its capital as its operating reserve, which includes its equity investment in capital assets and its fees in advance and deposits.

The association manages its capital, in part with the assistance of an investment counsel in accordance with an investment policy that takes into account the association's risk/return profile along with its working capital requirements. Any projects or undertakings of a strategic nature are undertaken only after authorization from council.

The association's short-term objective is to have sufficient liquidity to ensure continuity in its operations despite events with adverse financial consequences. Its long-term objective is to have the flexibility to implement new initiatives as per council directives to meet its members' needs and to support the growth and expansion of PEO's regulatory and regulatory support activities in order that the public interest may be served and protected.

Under its various borrowing agreements, the association must satisfy certain covenants with respect to reporting requirements. During the year, the association complied with these requirements.

## 17. COMPARATIVE FIGURES

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



# TREASURER'S REPORT AND FINANCIAL STATEMENT ANALYSIS

DECEMBER 31, 2009

In 2009, PEO generated an excess of revenues over expenses of \$209,835 from operations, which may be largely attributed to growth in P.Eng. membership and in application, examination and registration revenues. In addition, PEO's investment portfolio yielded \$531,649 of income. The results also include a positive contribution of \$107,995 from leasing operations at PEO's headquarters building.

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 the interest rate of 4.95 per cent. PEO moved all of its departments into the building on Monday, December 21, 2009.

For this fiscal year, total revenues of \$20,355,802 and expenses of \$20,145,967 were incurred. Revenue from application, registration and other fees increased by 2.6 per cent. The new balance in the operating reserve is \$12,904,261.

## **COST MANAGEMENT**

Total expenditures for 2009 were \$17,945,230 (excluding 40 Sheppard Avenue West), which is 0.7 per cent lower than budget. The reasons for the major expenditure variances versus the annual budget are noted below:

- Full-time staff salaries and benefits were \$79,388 lower than budget;
- Contractors and temporary staff costs were \$96,541 over budget due to later than forecast transfers to regular full-time and other staffing needs;
- Costs for purchased services were \$103,759 lower than expected;
- Legal and tribunal expenses were \$22,665 higher than budget;
- Volunteer business expenses were \$39,201 lower than expected;
- Chapters expenses were \$48,303 lower than budget;
- Expenses for consultants were \$31,844 higher than projected;
- Computer and telephone expenses were \$213,042 higher than estimated;
- Transaction fees and commission were \$58,372 lower than budget; and
- Training and development costs were \$117,826 lower than expected.

## **2008 BUDGET VARIANCES BY BUSINESS UNIT**

### **Administrative Services**

For 2009, expenditures were \$69,144 or 1.0 per cent below budget. This was due primarily to favourable spending on postage and courier costs (\$49,840) and lower fees for investment management of PEO's portfolio (\$20,000).

### **Communications and Chapters**

For 2009, expenditures were \$56,146 or 1.8 per cent below budget due to lower than budgeted consultant and registration costs for the government communication program (\$31,689) and below-budget spending on the annual general meeting (\$26,497) and Order of Honour (\$18,429). This was partially offset by higher advertising costs (\$24,361).

### **Executive**

For 2009, expenditures were \$107,919 or 15.1 per cent above budget due to the costs of representing PEO at various functions (\$56,247), the provincial AGMs (\$9,204), council meetings (\$4,202), grant and award distribution ceremonies (\$6,960), Engineers Canada (\$14,064), and management team meetings (\$17,524).

### **Governance and Culture**

For 2009, expenditures were \$42,008 or 3.1 per cent under budget. This was due to favourable spending versus budget on committee (\$60,516) and training and development costs (\$56,809). Offsets were above budget spending on staff contingency (\$35,039), increased staffing (\$55,925), and the council workshop (\$20,962).

### **Information and Technology Services**

For 2009, expenditures were \$239,756 or 17.6 per cent over budget due to the inadvertent omission of software maintenance contracts from the budget (\$96,827); Internet and backup over-charge for outsourced operations (\$24,941); higher than projected PEO network infrastructure charges (\$58,000); and the use of a contract resource on the Certificate of Authorization business name clean-up project (\$19,121).

### **Legal Services**

For 2009, expenditures were \$161,463 or 30.1 per cent over budget, primarily due to reorganization, which includes the transfer of discipline prosecution expenses (\$126,338) and the transfer of an employee during the year (\$49,254).

# TREASURER'S REPORT

## Licensing and Registration

For 2009, expenditures were \$228,069 or 5.9 per cent lower than budget. Outsourcing and salaries and benefits costs were \$84,557 lower than expected. In addition, there was below budget spending in registration audit fees (\$36,111) and internship (\$43,151).

In 2009, PEO licensed 2331 new professional engineers. In addition, PEO received 3067 paid applications and 1046 free applications under council's EIT Financial Credit Program.

## Regulatory Compliance

For 2009, expenditures were \$36,331 or 2.4 per cent under budget. There were lower than expected staffing and prosecution costs in enforcement (\$106,913) that were offset somewhat by higher than budgeted hearing-related costs within discipline (\$87,227).

## Standards and Tribunals

For 2009, the Standards and Tribunals operations were favourable by \$330,511 or 28.2 per cent. This was primarily due to lower than approved staffing

levels, resulting in a saving of \$195,538 in employee salaries and benefits. There was unused budget in hearing costs and post-hearing activities in the registration area of tribunal operations (\$77,858) due to fewer scheduled hearings in 2009.

## Council-directed initiatives

For 2009, the costs for the projects approved by council amounted to \$804,418. This figure includes \$72,550 for the Building Development Committee, \$143,290 for sponsorship of the Engineering Summit, and \$466,295 for the Ontario Centre for Engineering and Public Policy.

Staff and volunteers contributed greatly in carrying out these council-directed initiatives. In 2009, a total of \$79,302 in staff salaries and benefits costs was directly attributable to these initiatives.

## CONCLUSION

The association has managed its affairs responsibly and leaves 2009 with an enhanced balance sheet and a healthy operating reserve to carry out its regulatory mandate.  $\Sigma$

2009 DEPARTMENTAL COSTS (\$000s)

