
Financial statements of
Association of Professional
Engineers of Ontario

December 31, 2020

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Independent Auditor's Report

To the Members of the
Association of Professional Engineers of Ontario

Opinion

We have audited the accompanying financial statements of the Association of Professional Engineers of Ontario which comprise the Statement of financial position at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association of Professional Engineers of Ontario as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association of Professional Engineers of Ontario in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association of Professional Engineers of Ontario's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association of Professional Engineers of Ontario or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Association of Professional Engineers of Ontario's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association of Professional Engineers of Ontario's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association of Professional Engineers of Ontario's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association of Professional Engineers of Ontario to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2021

Association of Professional Engineers of Ontario
Statement of operations and changes in net assets
Year ended December 31, 2020

	Notes	2020 \$	2019 \$
Revenue			
P. Eng revenue		19,192,091	16,617,881
Application, registration, examination and other fees		8,069,121	8,507,693
Building operations	5	2,433,586	2,063,933
Investment income		839,194	572,499
Advertising income		105,359	214,087
Chapter revenues	3	33,358	—
		30,672,709	27,976,093
Expenses			
Staff salaries and benefits/retiree and future benefits	10	11,541,133	11,948,676
Building operations	5	2,196,630	2,497,508
Amortization		1,152,613	1,182,780
Computers and telephone		1,137,393	1,001,350
Engineers Canada		1,024,502	1,009,422
Purchased services		958,697	1,295,698
Occupancy costs	5	846,019	845,733
Legal (corporate, prosecution and tribunal)		765,986	720,790
Transaction fees		700,010	650,829
Contract staff		502,825	551,099
Consultants		454,680	255,675
Chapters	14	327,940	942,292
Postage and courier		210,455	417,773
Insurance		143,100	128,505
Professional development		109,858	143,358
Volunteer expenses		109,056	614,032
Printing		64,677	97,200
Office supplies		57,673	129,224
Advertising		45,243	74,808
Recognition, grants and awards		31,772	152,623
Staff expenses		18,857	89,783
		22,399,119	24,749,158
Excess of revenue over expenses before the undernoted		8,273,590	3,226,935
Council discretionary reserve expenses	9	388,086	298,827
Excess of revenue over expenses		7,885,504	2,928,108
Remeasurement and other items	7	(3,307,400)	4,647,153
Net assets, beginning of year		24,727,697	17,152,436
Adjustment for change in accounting policy	3	(3,724,941)	—
Net assets, end of year		25,580,860	24,727,697

The accompanying notes are an integral part of the financial statements.

Association of Professional Engineers of Ontario

Statement of financial position

As at December 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash in interest bearing accounts		8,219,649	3,031,510
Accounts receivable		1,382,842	767,025
Prepaid expenses and deposits		475,843	363,272
Other assets		251,044	328,077
		10,329,378	4,489,884
Marketable securities, at fair value		15,069,278	11,303,103
Capital assets	4	31,340,072	33,301,183
		56,738,728	49,094,170
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	2,513,546	2,024,830
Fees in advance and deposits		11,573,230	11,048,555
Current portion of long-term debt	6	1,088,796	1,088,796
		15,175,572	14,162,181
Long-term			
Long-term debt	6	2,540,496	3,629,292
Employee future benefits	7	13,441,800	6,575,000
		31,157,868	24,366,473
Net assets	8	25,580,860	24,727,697
Total liabilities and net assets		56,738,728	49,094,170
Contingencies	17		

The accompanying notes are an integral part of the financial statements.

Approved by the Council

 _____, Director

 _____, Director

Association of Professional Engineers of Ontario

Statement of cash flows

Year ended December 31, 2020

	Notes	2020 \$	2019 \$
Operating activities			
Excess of revenue over expenses		7,885,504	2,928,108
Add (deduct) items not affecting cash			
Amortization		2,269,255	2,243,632
Amortization – other assets		77,033	178,563
Employee future benefits expensed		713,400	1,017,653
Change in unrealized (gains) losses on marketable securities		507,308	(337,636)
Losses (gains) on disposal of marketable securities		46,294	25,596
		11,498,794	6,055,916
Change in non-cash working capital items	11	285,003	1,314,757
		11,783,797	7,370,673
Financing activities			
Payout of previous mortgage	6	–	(5,441,000)
Proceeds from refinancing of mortgage	6	–	5,443,952
Repayment of mortgage	6	(1,088,796)	(891,864)
Contributions to employee future benefit plans		(1,181,800)	(1,072,100)
		(2,270,596)	(1,961,012)
Investing activities			
Net change in marketable securities		(4,319,777)	(4,172,055)
Additions to capital assets		(308,144)	(929,202)
Additions to other assets		–	(50,332)
		(4,627,921)	(5,151,589)
Increase in cash		4,885,280	258,072
Cash beginning of year as previously reported		3,031,510	2,773,438
Adjustment for change in accounting policy	3	302,859	–
Cash, end of year		8,219,649	3,031,510

The accompanying notes are an integral part of the financial statements.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

1. Nature of operations

The Association of Professional Engineers of Ontario ("PEO") was 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 accounting standards for not-for-profit organizations and reflect the following accounting policies:

(a) Financial instruments

PEO initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

Asset/liability	Measurement
Cash and marketable securities	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the financial asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in net assets for the period.

Transaction costs are expensed as incurred.

(b) Hedge accounting

PEO entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long-term debt. The policy of PEO is not to enter into interest rate swap agreements for trading or speculative purposes.

The interest rate swap held by PEO is eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair value of derivative instruments eligible and qualifying for hedge accounting is generally not recognized on the Statement of financial position. Gains and losses on such instruments are recognized in the Statement of operations and changes in net assets in the same period as those of the hedged item.

Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recorded on the accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

2. Significant accounting policies (continued)

(b) Hedge accounting (continued)

PEO may only discontinue hedge accounting when one of the following situations arises:

- (i) The hedged item or the hedging item ceases to exist other than as designated and documented;
- (ii) The critical terms of the hedging item cease to match those of the hedged item, including, but not limited to, when it becomes probable that an interest-bearing asset or liability hedged with an interest rate swap will be prepaid.

When a hedging item ceases to exist, any gain or loss incurred on the termination of the hedging item is recognized as an adjustment of the carrying amount of the hedged item.

When a hedged item ceases to exist, the critical terms of the hedging item cease to match those of the hedged item, or it is no longer probable that an anticipated transaction will occur in the amount designated or within 30 days of the maturity date of the hedging item, any gain or loss is recognized in net income.

(c) Revenue recognition

License fee revenue, excluding the portion related to the Building Fund, is recognized as revenue on a monthly basis over the license period. Building Fund revenue is recognized as revenue at the commencement of the license period. Other revenues are 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

Pension plans

The cost of PEO's defined benefit pension plans is determined periodically by independent actuaries using the projected benefit method prorated on service. PEO uses the most recently completed actuarial valuation prepared on the going concern basis for funding purposes for measuring its defined benefit pension plan obligations. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

Other non-pension plan benefits

The cost of PEO's non-pension defined benefit plan is determined periodically by independent actuaries. PEO uses an accounting actuarial valuation performed once every year for measuring its non-pension defined benefit plan obligations. The valuation is based on the projected benefit method prorated on service.

For all defined benefit plans, PEO recognizes:

- (i) The defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation in the statement of changes in net assets;
- (ii) The cost of the plan for the year.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

2. Significant accounting policies (continued)

(f) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis at the following annual rates.

Building	2%
Building improvements – PEO	5%
Building improvements – common area	3.3% to 10%
Building improvements – non-recoverable	10% to 20%
Computer hardware and software	33%
Furniture, fixtures and telephone equipment	10%
Audio visual	20%

The Association's investment in capital assets is included as part of Net assets on the Statement of financial position.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. Change in Accounting Policy

The Association changed its accounting policy with respect to its chapters in 2020. Previously the financial information of the 36 chapters of the Association was not consolidated in the financial statements as management believed that the effort and cost required to prepare financial statements for each chapter for consolidation purposes far exceeded the benefits of doing so. In 2020, the Association centralized the banking and accounting functions of all of the 36 chapters and determined that the financial transactions of all chapters will be consolidated into the financial statements of the Association. The change in accounting policy has been applied prospectively resulting in an increase in net assets and cash of \$302,859 as of January 1, 2020 to record the unused amount of prior year monies returned by the chapters.

During the year the Association adopted amendments to section 3463 Part III of the CPA Canada Handbook. PEO continues to use the most recently completed actuarial valuation prepared on the going concern basis for funding purposes for measuring its defined benefit pension plan obligations. Changes to pension legislation required that a Provision for Adverse Deviation be included in the actuarial valuation for funding purposes. The amendments to section 3463 confirm that the Provision for Adverse Deviation should be included in the obligation reported for accounting purposes. In accordance with the transitional provisions to section 3463, the impact of the Provision for Adverse Deviation as of January 1, 2020 is reflected as a change in opening net assets. This has resulted in a reduction of \$4,027,800 to opening net assets.

Association of Professional Engineers of Ontario
Notes to the financial statements
Year ended December 31, 2020

3. Change in Accounting Policy (continued)

The total impact of change in accounting policies on opening net assets is as follows:

	2020
	\$
Cash from consolidation of chapters	302,859
Provision for Adverse Deviation per amendments to section 3463 Part III	(4,027,800)
	(3,724,941)

4. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Building	19,414,668	4,584,367	14,830,301	15,218,595
Building improvements – PEO	8,961,068	4,241,604	4,719,464	5,168,344
Building improvements – common area	11,203,111	4,861,811	6,341,300	6,958,756
Building improvements – non recoverable	741,332	177,282	564,050	453,510
Land	4,366,303	–	4,366,303	4,366,303
Computer hardware and software	5,287,238	4,894,432	392,806	883,278
Furniture, fixtures and telephone equipment	1,469,640	1,348,492	121,148	201,680
Audio visual	1,008,315	1,003,615	4,700	32,592
Work-in-progress	–	–	–	18,125
	52,451,675	21,111,603	31,340,072	33,301,183

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

5. Building operations

PEO maintains accounting records for the property located at 40 Sheppard Avenue West, Toronto, ON as a stand-alone operation for internal purposes. The results of the operation of the building, prior to the elimination of recoveries and expenses related to PEO, are as follows:

	2020	2019
	\$	\$
Revenue		
Rental	894,834	728,919
Operating cost recoverable – tenants	1,280,453	1,048,012
Parking	143,125	145,200
Miscellaneous	115,174	141,802
	2,433,586	2,063,933
Operating cost recoverable – PEO	751,733	754,538
	3,185,319	2,818,471
Recoverable expenses		
Utilities	470,173	449,632
Amortization	631,849	614,546
Property taxes	438,912	442,420
Payroll	258,166	258,166
Janitorial	198,312	202,931
Repairs and maintenance	98,802	119,385
Property management and advisory fees	50,000	50,000
Security	18,841	19,166
Administrative	23,006	23,180
Road and ground	20,548	27,112
Insurance	24,961	19,728
	2,233,570	2,226,266
Other expenses		
Interest expense on note and loan payable	137,119	211,545
Amortization of building	388,293	388,293
Amortization of deferred costs	77,033	178,563
Amortization of tenant inducements	96,500	58,012
Other non-recoverable expenses	15,848	189,367
	714,793	1,025,780
	2,948,363	3,252,046
Excess (deficiency) of revenue over expenses	236,956	(433,575)

For purposes of the Statement of operations and changes in net assets, the operating costs recoverable from PEO of \$751,733 (\$754,538 in 2019) have been eliminated. The portion of costs allocated to PEO is reallocated from Building operations and is included in Occupancy costs on the Statement of operations and changes in net assets.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

5. Building operations (continued)

	2020	2019
	\$	\$
Building revenue per above	3,185,319	2,818,471
Eliminated PEO portion	(751,733)	(754,538)
	2,433,586	2,063,933
Building expenses per above	2,948,363	3,252,046
Eliminated PEO portion	(751,733)	(754,538)
	2,196,630	2,497,508

6. Building financing

On April 5, 2019 the Association refinanced its outstanding loan of \$5,443,952 with the Bank of Nova Scotia. The refinanced loan is secured by a first mortgage on the property located at 40 Sheppard Avenue West, a general security agreement, and a general assignment of tenant leases. The loan is repayable in monthly installments of principal plus interest and bears a floating interest rate based on variable bankers' acceptances. The Association entered into a swap agreement related to this loan, where the floating rate debt is swapped for a fixed rate debt at an interest rate of 3.47% and settled on a net basis. The notional value of the swap is \$5,443,952 with a start date of April 5, 2019 and a maturity date of April 5, 2024 on which date the loan will be fully paid.

7. Employee future benefits

The Association's pension plans and post-retirement benefits plan covering participating employees (full time and retirees) are defined benefit plans as defined in Section 3462 of the CPA Canada Handbook and accounted for as per Section 3463. The pension plans provide pension benefits based on length of service and final average earnings. The post-retirement benefits plan provides hospitalization, extended health care and dental benefits to retired employees. Participation in the pension plans and benefits plan (for post-retirement benefits) has been closed to all new employees as of May 1, 2006. All employees joining after this date have the option of participating in a self-directed RRSP (registered retirement savings plan). During the year, the Association recorded \$290,806 (\$275,065 in 2019) in employer contributions to the self-directed RRSP.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

7. Employee future benefits (continued)

The funded status of the Association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2020 was as follows:

	Basic pension plan \$	Supplemental pension plan \$	Other non-pension benefit plan \$	Total \$
Accrued benefit obligation	(32,567,600)	(2,321,500)	(12,013,500)	(46,902,600)
Plan assets at fair value	31,456,200	2,004,600	—	33,460,800
Funded status – plan surplus (deficit)	(1,111,400)	(316,900)	(12,013,500)	(13,441,800)

The funded status of the Association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2019 was as follows:

	Basic pension plan \$	Supplemental pension plan \$	Other non-pension benefit plan \$	Total \$
Accrued benefit obligation	(25,268,500)	(2,198,300)	(10,606,800)	(38,073,600)
Plan assets at fair value	29,527,500	1,971,100	—	31,498,600
Funded status – plan surplus (deficit)	4,259,000	(227,200)	(10,606,800)	(6,575,000)

PEO measures its defined benefit obligations and the fair value of plan assets related to the basic and supplemental pension plans for accounting purposes as at December 31 each year based on the most recently completed actuarial valuation for funding purposes. The most recently completed actuarial valuation of the pension plans for funding purposes was as of January 1, 2020. PEO measures its obligations related to its other non-pension benefit plan using an actuarial valuation prepared for accounting purposes. The most recent actuarial valuation for accounting purposes was as of December 31, 2020.

Remeasurements and other items resulting from these valuations are reported directly in net assets in the Statement of financial position and are reported separately as a change in net assets in the Statement of operations and changes in net assets.

8. Net assets

The net assets of the Association are restricted to be used at the discretion of Council and includes the Association's investment in capital assets of \$25,533,188 (\$28,583,095 in 2019).

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

9. Council discretionary reserve

The Council discretionary reserve is an internal allocation from the operating reserve used at the discretion of Council to fund expenses related to special projects approved by Council. These figures include \$272,039 for salaries and benefits costs of full-time staff for time spent on these projects. Expenses from the discretionary reserve were incurred on the following projects:

	2020	2019
	\$	\$
Regulatory Functions Review	270,229	241,597
Governance Advisor	109,037	34,372
30 by 30 Task Force	8,820	22,819
Emerging Discipline Task Force	—	39
	388,086	298,827

10. Full time salaries and benefits

During the year, the Association incurred a total of \$11,813,172 (\$12,019,938 in 2019) for salary and benefits costs for its full-time staff. Out of this amount, \$272,039 (\$71,262 in 2019) was directly attributable to special projects approved by Council and disclosed in Note 9.

11. Change in non-cash working capital items

	2020	2019
	\$	\$
Accounts receivable	(615,817)	(333,558)
Prepaid expenses and deposits	(112,571)	40,890
Accounts payable and accrued liabilities	488,716	(190,605)
Fees in advance and deposits	524,675	1,798,030
	285,003	1,314,757

12. Custodial account

The Association maintains a separate bank account for the Engineering Deans of Ontario (EDO), formerly known as the Council of Ontario Deans of Engineering (CODE). Cash held in this bank account totaling \$131,683 (\$162,089 in 2019) is not reported on the Association's Statement of financial position, as it is held in trust for EDO.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

13. Commitments

The Association has obligations under non-cancelable operating leases and agreements for various service agreements. The payments to the expiry of the leases and agreements are as follows:

	\$
2021	1,132,722
2022	911,192
2023	766,461
2024	3,029
	<u>2,813,404</u>

14. Chapters of the Association

During the year, the Association paid chapter expenses totaling \$327,940 (\$942,292 in 2019) and also incurred additional costs of \$371,362 (\$533,458 in 2019) related to chapter operations including staff salaries and benefits, and for various support activities. These amounts have been included in the various operating expenses reported on the Statement of operations and changes in net assets.

15. Financial instruments and risk management

Interest rate risk

PEO is exposed to interest rate risk, which is the risk that the fair values or future cash flows associated with its investments will fluctuate as a result of changes in market interest rates. Management addresses this risk through use of an investment manager to monitor and manage investments.

Liquidity risk

PEO's objective is to have sufficient liquidity to meet its liabilities when due. PEO monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2020, the most significant financial liabilities are accounts payable and accrued liabilities, and long-term debt.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. PEO's international and US equity pooled fund investments are denominated in foreign currencies the value of which could fluctuate in part due to changes in foreign exchange rates.

16. Government remittances

Accounts payables and accrued liabilities includes \$620,877 (\$410,275 in 2019), with respect to government remittances payable at year end.

Association of Professional Engineers of Ontario

Notes to the financial statements

Year ended December 31, 2020

17. Contingencies

PEO has been named in litigation matters, the outcome of which is undeterminable and accordingly, no provision has been provided for any potential liability in these financial statements. Should any loss result from these claims, which is not covered by insurance, such loss would be charged to operations in the year of resolution or earlier if the loss is likely and determinable.