

Financial Statements of

**ASSOCIATION OF PROFESSIONAL
ENGINEERS AND GEOSCIENTISTS
OF THE PROVINCE OF MANITOBA**

**O/A ENGINEERS GEOSCIENTISTS
MANITOBA**

June 30, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Members of Association of Professional Engineers and Geoscientists of the Province of Manitoba
O/A Engineers Geoscientists Manitoba

We have audited the accompanying financial statements of the Association of Professional Engineers and Geoscientists of the Province of Manitoba O/A Engineers Geoscientists Manitoba, which comprise the statement of financial position as at June 30, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association of Professional Engineers and Geoscientists of the Province of Manitoba O/A Engineers Geoscientists Manitoba as at June 30, 2018 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.

Other Matters

The prior year comparative figures were audited by another auditor who expressed an unmodified opinion on the June 30, 2017 financial statements dated September 21, 2017.

Chartered Professional Accountants

September 20, 2018
Winnipeg, Manitoba

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**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF
THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Statement of Operations
Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
REVENUE		
Members' annual dues	\$ 2,535,182	\$ 2,355,299
Certificates and licenses	401,555	370,404
Application assessment and administration	263,758	243,886
Examination fees	83,293	96,760
Meetings and events	160,040	218,565
Other	37,993	22,105
	<u>3,481,821</u>	<u>3,307,019</u>
EXPENSES		
Advertising and promotion	150,885	193,810
Amortization	123,178	73,516
Bank and financial service charges	88,822	80,650
Certificates and seals	35,374	34,781
Contract and consulting	467,229	286,895
Licenses dues and subscriptions	108,159	50,305
Equipment rent and lease	57,457	69,902
Funding and support (student support and sponsorships)	137,061	126,516
Honoria, awards and incentives	31,915	7,779
Insurance	18,554	17,423
Meeting, venue and speaker costs	269,970	294,263
Miscellaneous	8,710	22,860
Office supplies	26,623	23,792
Office lease and occupancy costs	372,536	284,771
Postage and delivery	35,695	36,086
Printing and reproduction	52,930	52,313
Professional fees	114,916	111,624
Repairs and maintenance	7,405	15,435
Salaries and benefits	1,542,445	1,447,533
Secondary professional liability insurance program	38,421	38,597
Staff and governance training	38,295	42,539
Telecommunications and internet	20,822	21,075
Travel	45,810	59,505
	<u>3,793,212</u>	<u>3,391,970</u>
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (311,391)	\$ (84,951)
INVESTMENT REVENUE (EXPENSES)		
Realized	266,848	193,892
Unrealized	124,789	288,251
Investment transaction and portfolio management fees	(51,314)	(51,211)
	<u>340,323</u>	<u>430,932</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 28,932	\$ 345,981

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF THE PROVINCE OF MANITOBA O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Statement of Changes in Net Assets
Year Ended June 30, 2018

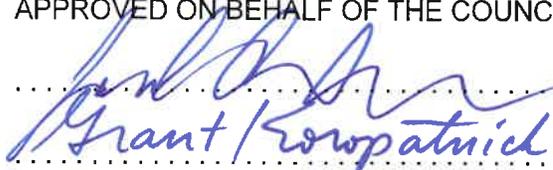
	2018										
	Unrestricted	Internally Restricted									Total
		Invested in Capital Assets	Committee Reserve	Long-term Reserve	Capital asset Replacement	Continuing Professional Education	Hearings	Discipline By-law	Engineering Changes Lives	Association Centennial	
BALANCE, BEGINNING OF YEAR	\$ 1,735,993	\$ 573,370	\$ 6,757	\$ 1,200,000	\$ 138,333	\$ 10,410	\$ 10,000	\$ 250,000	\$ -	\$ 400,000	\$ 4,324,863
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	287,339	-	-	-	-	-	-	-	(247,683)	(10,724)	28,932
INTERFUND TRANSFERS	(968,230)	(21,360)	-	-	-	(10,410)	15,000	-	785,000	200,000	-
ACQUISITION OF CAPITAL ASSETS	(352,855)	491,188	-	-	(138,333)	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ 702,247	\$ 1,043,198	\$ 6,757	\$ 1,200,000	\$ -	\$ -	\$ 25,000	\$ 250,000	\$ 537,317	\$ 589,276	\$ 4,353,795

	2017										
	Unrestricted	Internally Restricted									Total
		Invested in Capital Assets	Committee Reserve	Long-term Reserve	Capital asset Replacement	Continuing Professional Education	Hearings	Discipline By-law	Engineering Changes Lives	Association Centennial	
BALANCE, BEGINNING OF YEAR	\$ 1,310,788	\$ 535,770	\$ 11,914	\$ 1,200,000	\$ 250,000	\$ 10,410	\$ 10,000	\$ 250,000	\$ -	\$ 400,000	\$ 3,978,882
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	425,205	(74,067)	(5,157)	-	-	-	-	-	-	-	345,981
ACQUISITION OF CAPITAL ASSETS	-	111,900	-	-	(111,900)	-	-	-	-	-	-
PROCEEDS ON DISPOSAL OF CAPITAL ASSETS	-	(233)	-	-	233	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ 1,735,993	\$ 573,370	\$ 6,757	\$ 1,200,000	\$ 138,333	\$ 10,410	\$ 10,000	\$ 250,000	\$ -	\$ 400,000	\$ 4,324,863

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF
THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Statement of Financial Position
June 30, 2018**

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 979,192	\$ 1,299,065
Accounts receivable	26,045	33,380
Government remittances receivable	8,407	7,519
Prepaid expenses	110,309	119,232
	1,123,953	1,459,196
INVESTMENTS (Note 3)	4,194,612	4,142,128
CAPITAL ASSETS (Note 4)	1,043,198	573,371
	\$ 6,361,763	\$ 6,174,695
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 358,310	\$ 291,068
Deferred revenue	1,649,658	1,558,764
	2,007,968	1,849,832
COMMITMENT (Note 5)		
NET ASSETS		
Unrestricted	702,247	1,735,993
Invested in capital assets	1,043,198	573,370
Internally restricted	2,608,350	2,015,500
	4,353,795	4,324,863
	\$ 6,361,763	\$ 6,174,695

APPROVED ON BEHALF OF THE COUNCIL


 President
 Grant Koropatnick CEO & Registrar

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF
THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Statement of Cash Flows
Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 28,932	\$ 345,981
Item not affecting cash:		
Amortization	123,178	73,516
	<u>152,110</u>	<u>419,497</u>
Changes in non-cash operating working capital items:		
Accounts receivable	7,335	(6,529)
Government remittances receivable	(888)	(39)
Prepaid expenses	8,923	(34,342)
Accounts payable	67,242	291,068
Deferred revenue	90,894	133,413
	<u>325,616</u>	<u>803,068</u>
INVESTING ACTIVITIES		
Change in investments	(52,484)	(101,956)
Proceeds on disposal of capital assets	-	233
Purchase of capital assets	(593,005)	(111,350)
	<u>(645,489)</u>	<u>(213,073)</u>
NET (DECREASE) INCREASE IN CASH POSITION	(319,873)	589,995
CASH POSITION, BEGINNING OF YEAR	1,515,307	925,312
CASH POSITION, END OF YEAR	\$ 1,195,434	\$ 1,515,307

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOSCIENTISTS OF THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS MANITOBA
Notes to the Financial Statements
June 30, 2018**

1. DESCRIPTION OF BUSINESS

The Association of Professional Engineers and Geoscientists of the Province of Manitoba operating as Engineers Geoscientists Manitoba (the "Association") is incorporated under the laws of the Province of Manitoba and is engaged in the administration of The Engineering and Geoscientific Professions Act of Manitoba (the "Act"). The Association is a non-profit organization for the purposes of the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Fund accounting*

The Association utilizes the following funds to manage and report its activities.

Unrestricted Fund

The Unrestricted (General) Fund accounts for the Association's program delivery and administrative activities. These net assets report unrestricted resources and restricted operating revenue.

Invested in Capital Assets Fund

Invested in Capital Assets net assets report the assets, liabilities, revenue and expenses related to the Association's capital assets.

Committee Reserve Fund

The Committee Reserve net assets report appropriations to fund committee and subcommittee activities.

Long-term Reserve Fund

Long-term Reserve net assets report appropriations to fund future unforeseen or extraordinary events. Appropriations to and from these net assets occur at Council's discretion.

Capital Asset Replacement Fund

The Capital Asset Replacement net assets report appropriations to fund future replacements and improvements to capital assets. Appropriations to and from these net assets occur at Council's discretion.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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O/A ENGINEERS GEOSCIENTISTS MANITOBA**
Notes to the Financial Statements
June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Fund accounting (continued)*

Continuing Professional Education Fund

The Continuing Professional Education net assets report appropriations to fund future continuing professional education programs for members. Appropriations to and from these net assets occur at Council's discretion.

Hearings Fund

The Hearings Fund reports appropriations for expenses incurred for the conduct of hearings relative to appeals on rejected applications for membership as described under PART 6, Sections 20 through 23 of the Act.

Discipline By-Law Fund

The Discipline By-law fund was established through by-law 15.11.1.1 which directs Council to establish and maintain a special fund for the purpose of administering and enforcing the discipline provisions of its by-laws. The net assets may be maintained by assessing general membership an amount set by Council. Appropriations from the net assets are to fund investigations conducted by the Investigation Committee and formal hearings of the Discipline Committee and appeals therefrom.

Engineering Changes Lives Fund

The Engineering Changes Fund was established by Council for the development and implementation of a strategic plan and marketing campaign aimed at increasing the participation of women in Engineering. The two year project has been allocated \$785,000 to be expended commencing January 1st, 2018 to December 31st, 2019 and aligns with Governance Policy E-5.2 - "By 2030, 30% of newly licensed engineers will be women and this is a priority"

Association Centennial Fund

The Association Centennial net assets report appropriations to fund future Association centennial year events. Appropriations to and from the net assets occur at Council's discretion.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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O/A ENGINEERS GEOSCIENTISTS MANITOBA
Notes to the Financial Statements
June 30, 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition

The Association follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Until such time, externally restricted contributions are reported as deferred revenue.

Unrestricted contributions are recognized as revenue in the unrestricted fund when received or receivable, as long as the amount to be received can be reasonably estimated and collection is reasonable assured.

Members dues are based on the calendar year and are recognized into income on straight-line basis over the calendar year. Deferred revenue represents the portion of the members' dues which have not been recorded as revenue and will be recorded as revenue in the subsequent fiscal year.

Other revenue, including certificates, licenses, application fees, examination fees, and meetings and events revenue, are recognized when the service is performed, the amount to be received can be reasonably estimated, and collection is reasonably assured.

Investment income is recognized on an accrual basis as earned.

c) Capital assets

Capital assets are recorded at cost less accumulated amortization in the statement of financial position. Amortization based on the estimated useful life of the asset is calculated as follows with a proration in the year of acquisition:

Computer equipment	33 1/3% declining balance
Computer software	33 1/3% declining balance
Office furniture and equipment	10% declining balance
Leasehold improvements	10% declining balance

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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O/A ENGINEERS GEOSCIENTISTS MANITOBA**
Notes to the Financial Statements
June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, with the exception of investments in shares listed on a public exchange, which are measured at fair value. The fair value of listed shares is based on the latest closing price, and the fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Company recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

e) 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. Significant estimates include valuation of accounts receivable and the estimated useful lives of fixed assets. Actual amounts could differ from those estimates.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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 O/A ENGINEERS GEOSCIENTISTS MANITOBA
 Notes to the Financial Statements
 June 30, 2018**

3. INVESTMENTS

The details of the Association's investments as at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Bonds and guaranteed income certificates	\$ 1,199,407	\$ 915,269
Securities		
Canadian	2,160,524	2,504,530
Foreign	834,681	722,329
	<u>\$ 4,194,612</u>	<u>\$ 4,142,128</u>

Bonds and guaranteed investment certificates bear interest ranging from 2.00% to 5.95% (2017 - 1.85% to 5.95%) with maturities from March 2019 to June 2036 (2017 - March 2018 to June 2036).

4. CAPITAL ASSETS

	<u>2018</u>			<u>2017</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 400,663	\$ 362,732	\$ 37,931	\$ 32,888
Computer software	177,867	144,432	33,435	41,451
Office furniture and equipment	561,249	196,547	364,702	147,381
Leasehold improvements	1,091,701	484,571	607,130	351,650
	<u>\$ 2,231,480</u>	<u>\$ 1,188,282</u>	<u>\$ 1,043,198</u>	<u>\$ 573,370</u>

5. INTERNAL RESTRICTIONS AND TRANSFERS

During the year, the Council approved transfers from the Unrestricted Fund to the following funds:

- To the newly created Engineering Changes Lives Fund - \$785,000 less eligible expenditures of \$247,683 for a balance of \$537,317.
- To the Association Centennial Fund - \$200,000 less eligible expenses of \$10,724 for a net balance of \$189,276
- To the Hearings Fund - \$15,000

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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 O/A ENGINEERS GEOSCIENTISTS MANITOBA**
Notes to the Financial Statements
 June 30, 2018

6. MEMBERS' ANNUAL FEES

Members' annual fees are made up of the following:

	<u>2018</u>	<u>2017</u>
Interns	\$ 299,931	\$ 268,076
Non-practicing - unemployed	-	4,132
Practicing	2,176,000	2,032,398
Retired	45,689	42,957
Students	13,562	7,736
	<u>\$ 2,535,182</u>	<u>\$ 2,355,299</u>

7. COMMITMENT

The Association has entered into a lease agreement for its office premises expiring in January 2027 with annual lease payments of \$217,000.

8. CAPITAL MANAGEMENT

The Association defines capital as its net assets and it is not subject to any externally imposed capital requirements, which are unchanged from the prior year.

The Association's objectives when managing capital are:

- a. To safeguard its ability to continue as a going concern, and
- b. To continue to meet its obligations under the Act

The Association manages its capital by following the Asset Protection & Risk Management policy while adhering to:

- a. Consideration of economic conditions and the risk characteristics of underlying assets;
- b. Establishment of annual operating and capital budgets and monitoring related performance
- c. Establishment of rolling performance objectives for excess of revenue over expense and cash flow and monitoring related performance
- d. Maintaining liquid assets at least sufficient to fund operating expenses as they arise; and
- e. Controlling operating expenses relative to available revenue.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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O/A ENGINEERS GEOSCIENTISTS MANITOBA**
Notes to the Financial Statements
June 30, 2018

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

Financial risk

Financial risk is the risk to the Association's earnings that arises from fluctuations in interest rates earned on investments, and the degree of volatility of these rates. The Association does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Credit risk on short-term investments is managed by placing the investment portfolio with a major Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its obligations as they fall due. The Association maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Investments are also held in securities that can be liquidated within a few days notice.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association is exposed to foreign exchange risk since it holds a portion of its investments in foreign equities. The Association does not use derivative instruments to reduce its exposure to foreign exchange risk.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF
THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Changes in Members' Roll and Members in Training
Year Ended June 30, 2018
(Unaudited)**

Members on Roll

Members on Roll, June 30, 2017		6,571
Reinstatements	2	
Reinstatements - Mobility	25	
Registrations - Mobility	325	
Transferred from Intern	202	554
		<hr/> 7,125
Deceased	21	
Withdrawn	263	
Written-off	95	379
Members on Roll, June 30, 2018		<hr/> 6,746 <hr/>

Interns on Roll

Interns on Roll, June 30, 2017		1,529
Reinstatements	4	
Direct application	207	
Assessment program	142	353
		<hr/> 1,882
Transferred to Member	202	
Withdrawn	25	
Written-off	40	267
Interns on Roll, June 30, 2018		<hr/> 1,615 <hr/>

Temporary Licenses on Roll

Licensees on Roll, June 30, 2017		19
Expired	7	
Transferred to Member ¹	2	
New	6	
Licensees on Roll, June 30, 2018		<hr/> 16 <hr/>

¹ *Included in Mobility class of Membership*
