

Financial Statements of

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

**O/A ENGINEERS GEOSCIENTISTS
MANITOBA**

June 30, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Association of Professional Engineers and Geoscientists of the Province of Manitoba O/A Engineers Geoscientists Manitoba (the "Association"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, 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 and Geoscientists of the Province of Manitoba O/A Engineers Geoscientists Manitoba as at June 30, 2019, 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 ("ASNPO").

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 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 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 ASNPO, 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'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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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'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'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 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.



Chartered Professional Accountants

Winnipeg, Manitoba
September 12, 2019

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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, 2019**

	<u>2019</u>	<u>2018</u>
REVENUE		
Annual dues (Note 5)	\$ 2,732,381	\$ 2,535,182
Certificates and licenses	432,110	401,555
Application assessment and administration	287,235	263,758
Examination fees	99,260	83,293
Meetings and events	182,989	160,040
Other	69,336	37,993
	3,803,311	3,481,821
EXPENSES		
Advertising and promotion	87,007	150,885
Amortization	122,260	123,178
Bank and financial service charges	102,976	88,822
Certificates and seals	43,529	35,374
Contract and consulting	509,484	416,829
EngCan and GeoCan annual membership	91,402	87,981
Equipment rent and lease	58,910	52,452
Honoria, awards and incentives	27,919	31,915
Insurance	19,735	18,554
Licenses dues and subscriptions	15,657	20,178
Loss on disposal	11,826	-
Meeting, venue and speaker costs	310,810	269,970
Miscellaneous	7,275	8,710
Office expense	21,906	31,628
Office lease and occupancy costs	435,008	379,941
Payroll taxes, insurance and processing fees	96,053	74,705
Postage and delivery	24,924	35,695
Printing and reproduction	42,386	52,930
Professional fees	223,823	114,916
Salaries and benefits	1,679,652	1,467,740
Secondary professional liability insurance program	37,625	38,421
Sponsorships funding and support	152,400	137,061
Staff and governance training	21,361	38,295
Telecommunications, computers, and internet	52,119	71,222
Travel	53,532	45,810
	4,249,579	3,793,212
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (446,268)	\$ (311,391)
INVESTMENT REVENUE (EXPENSES)		
Realized	186,873	266,848
Unrealized	97,172	124,789
Investment transaction and portfolio management fees	(51,118)	(51,314)
	232,927	340,323
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ (213,341)	\$ 28,932

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, 2019

	2019											Total
	Unrestricted	Invested in Capital Assets	Committee Reserve	Long-term Reserve	Capital asset Replacement	Internally Restricted					Total	
						Continuing Professional Education	Hearings	Discipline By-law	Engineering Changes Lives	Association Centennial		
BALANCE, BEGINNING OF YEAR	\$ 702,247	\$ 1,043,198	\$ 6,757	\$ 1,200,000	\$ -	\$ -	\$ 25,000	\$ 250,000	\$ 537,317	\$ 589,276	\$ 4,353,795	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	300,200	(134,086)	-	-	-	-	-	-	(370,453)	(9,002)	(213,341)	
ACQUISITION OF CAPITAL ASSETS	(44,784)	44,784	-	-	-	-	-	-	-	-	-	
BALANCE, END OF YEAR	\$ 957,663	\$ 953,896	\$ 6,757	\$ 1,200,000	\$ -	\$ -	\$ 25,000	\$ 250,000	\$ 166,864	\$ 580,274	\$ 4,140,454	

	2018											Total
	Unrestricted	Invested in Capital Assets	Committee Reserve	Long-term Reserve	Capital asset Replacement	Internally Restricted					Total	
						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	

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF
THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOSCIENTISTS OF MANITOBA
Statement of Financial Position
June 30, 2019**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 510,650	\$ 979,192
Accounts receivable	31,401	26,045
Government remittances receivable	15,898	8,407
Prepaid expenses	158,620	110,309
	716,569	1,123,953
INVESTMENTS (Note 3)	4,621,827	4,194,612
CAPITAL ASSETS (Note 4)	953,896	1,043,198
	\$ 6,292,292	\$ 6,361,763
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 355,191	\$ 358,310
Deferred revenue	1,796,647	1,649,658
	2,151,838	2,007,968
COMMITMENT (Note 6)		
NET ASSETS		
Unrestricted	957,663	702,247
Invested in capital assets	953,896	1,043,198
Internally restricted	2,228,895	2,608,350
	4,140,454	4,353,795
	\$ 6,292,292	\$ 6,361,763

APPROVED ON BEHALF OF THE COUNCIL

Ruth Zelen 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, 2019**

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$ (213,341)	\$ 28,932
Items not affecting cash:		
Amortization	122,260	123,178
Loss on disposal	11,826	-
	(79,255)	152,110
Changes in non-cash operating working capital items:		
Accounts receivable	(5,356)	7,335
Government remittances receivable	(7,491)	(888)
Prepaid expenses	(48,311)	8,923
Accounts payable	(3,119)	67,242
Deferred revenue	146,989	90,894
	3,457	325,616
INVESTING ACTIVITIES		
Change in investments	(427,215)	(52,484)
Purchase of capital assets	(44,784)	(593,005)
	(471,999)	(645,489)
NET DECREASE IN CASH POSITION	(468,542)	(319,873)
CASH POSITION, BEGINNING OF YEAR	979,192	1,299,065
CASH POSITION, END OF YEAR	\$ 510,650	\$ 979,192

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA
O/A ENGINEERS GEOLOGICISTS MANITOBA
Notes to the Financial Statements
June 30, 2019**

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 available to the Association.

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. During the year, the Capital Asset Replacement Fund was wound down.

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Notes to the Financial Statements
June 30, 2019**

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. During the year, the Continuing Professional Education Fund was wound down.

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 by Council 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.

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 reasonably assured.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
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Notes to the Financial Statements
June 30, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

Member and Intern annual dues, and Specified Scope of Practice annual licenses are based on the calendar year and are recognized into income on straight-line basis from January through December.

Student annual dues are based on the academic year and are recognized into income on straight-line basis from October 1 through September 30.

Certificates of Authorization annual fees are based on the certification year as defined by the Association and are recognized into income on a straight-line basis from May 1 through April 30.

Temporary license annual fees are valid for one year from the date of issuance and are recognized into income on a straight-line basis over 12 months from the original date of issuance.

Deferred revenue represents the portion of the annual dues, certificates and licenses which have not been recorded as revenue and will be recorded as revenue in the subsequent fiscal year.

Other revenue, including 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

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O/A ENGINEERS GEOLOGICISTS MANITOBA
Notes to the Financial Statements
June 30, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Association 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 Association 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 GEOLOGICISTS MANITOBA
Notes to the Financial Statements
June 30, 2019**

3. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Bonds and guaranteed income certificates	\$ 1,186,559	\$ 1,199,407
Securities		
Canadian	2,327,191	2,160,524
Foreign	1,108,077	834,681
	<u>\$ 4,621,827</u>	<u>\$ 4,194,612</u>

Bonds and guaranteed investment certificates bear interest ranging from 2.15% to 4.23% (2018 – 2.00% to 5.95%) with maturities from December 2019 to September 2028 (2018 - March 2019 to June 2036).

4. CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 417,860	\$ 376,973	\$ 40,887	\$ 37,931
Computer software	177,867	155,577	22,290	33,435
Office furniture and equipment	574,406	233,796	340,610	364,702
Leasehold improvements	1,073,975	523,866	550,109	607,130
	<u>\$ 2,244,108</u>	<u>\$ 1,290,212</u>	<u>\$ 953,896</u>	<u>\$ 1,043,198</u>

5. ANNUAL DUES

Annual dues are made up of the following:

	<u>2019</u>	<u>2018</u>
Interns	\$ 320,645	\$ 299,931
Practicing	2,350,915	2,176,000
Retired	45,021	45,689
Students	15,800	13,562
	<u>\$ 2,732,381</u>	<u>\$ 2,535,182</u>

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O/A ENGINEERS GEOLOGICISTS MANITOBA
Notes to the Financial Statements
June 30, 2019**

6. COMMITMENT

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

7. 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 GEOLOGICISTS MANITOBA
Notes to the Financial Statements
June 30, 2019**

8. 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, 2019
(Unaudited)**

Members on Roll

Members on Roll, June 30, 2018		6,746
Reinstatements	4	
Reinstatements - Mobility	34	
Registrations - Mobility	366	
Transferred from Intern	210	614
		<hr/> 7,360
Deceased	23	
Withdrawn	302	
Written-off	179	504
Members on Roll, June 30, 2019		<hr/> 6,856 <hr/>

Interns on Roll

Interns on Roll, June 30, 2018		1,615
Reinstatements	9	
Direct application	188	
Assessment program	131	328
		<hr/> 1,943
Transferred to Member	210	
Withdrawn	32	
Written-off	50	292
Interns on Roll, June 30, 2019		<hr/> 1,651 <hr/>

Temporary Licenses on Roll

Licensees on Roll, June 30, 2018		16
Expired	4	
Transferred to Member ¹	1	
New	10	
Licensees on Roll, June 30, 2019		<hr/> 21 <hr/>

¹ *Included in Mobility class of Membership*
