

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

**Financial Statements
For the year ended June 30, 2016**

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOLOGISTS OF THE PROVINCE OF MANITOBA

Financial Statements
For the year ended June 30, 2016

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Financial Information	
Schedule 1 - Administration Expenses	13
Schedule 2 - Changes in Members' Roll and Members in Training	14



Tel: 204 956 7200
Fax: 204 926 7201
Toll-Free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of the ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF THE PROVINCE OF MANITOBA

We have audited the accompanying financial statements of the **ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF THE PROVINCE OF MANITOBA**, which comprise the statement of financial position as at June 30, 2016, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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** as at June 30, 2016, 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.

BDO Canada LLP


Chartered Professional Accountants

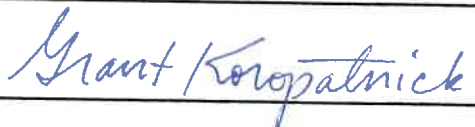
Winnipeg, Manitoba
September 15, 2016

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA**
Statement of Financial Position

As at June 30	2016	2015
Assets		
Current Assets		
Cash and bank	\$ 925,312	\$ 87,662
Accounts receivable	26,851	41,367
Prepaid expenses	84,890	62,052
	1,037,053	191,081
Investments (Note 2)	4,040,172	4,182,434
Capital assets (Note 3)	535,770	578,593
	\$ 5,612,995	\$ 4,952,108
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 208,762	\$ 239,917
Deferred revenue	1,425,351	1,341,800
	1,634,113	1,581,717
Commitment (Note 4)		
Net Assets		
Unrestricted	1,310,788	1,871,388
Invested in capital assets	535,770	578,593
Internally restricted	2,132,324	920,410
	3,978,882	3,370,391
	\$ 5,612,995	\$ 4,952,108

Approved on behalf of Council:


 _____ President


 _____ CEO & Registrar

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOSCIENTISTS OF THE PROVINCE OF MANITOBA
Statement of Operations**

For the year ended June 30	2016	2016	2015
	Budget	Actual	Actual
Revenue			
Assessments	\$ 79,215	\$ 108,862	\$ 95,111
Certificate of Authorization	309,525	379,442	268,907
Exam administration and exam fees	40,500	93,400	87,309
Insurance program	27,000	22,255	21,315
Investment income			
Realized	146,875	134,723	127,158
Unrealized	-	223,688	21,365
Meeting and professional development recoveries	51,115	84,615	71,940
Members' annual fees (Note 5)	1,969,305	2,028,943	1,904,635
Members in training (Schedule 2)	293,355	279,690	271,820
Other	87,335	200,500	191,755
Student memberships	3,295	2,802	3,544
	3,007,520	3,558,920	3,064,859
Expenses			
Administration (Schedule 1)	2,542,692	2,510,044	2,569,334
Amortization of capital assets	87,000	76,062	74,114
Awards program	7,200	9,725	2,840
Certificates and seals	29,775	30,272	32,991
Meeting	205,000	254,800	260,007
Secondary professional liability insurance	41,796	9,636	37,012
Student support and scholarships	29,298	23,900	13,205
Travel	57,975	35,990	23,819
	3,000,736	2,950,429	3,013,322
Excess of revenue over expenses for the year	\$ 6,784	\$ 608,491	\$ 51,537

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS
OF THE PROVINCE OF MANITOBA
Statement of Changes in Net Assets**

For the year ended June 30, 2016

	Internally Restricted									
	General	Invested Capital in Assets	Committee Reserve	Long-term Reserve	Capital Asset Replacement	Continuing Professional Education	Hearings	Discipline By-law	Association Centennial	Total
Net assets, June 30, 2014	\$ 1,827,896	\$ 570,548	\$ -	\$ -	\$ 250,000	\$ 10,410	\$ 10,000	\$ 250,000	\$ 400,000	\$ 3,318,854
Excess (deficiency) of revenue over expenses for the year	125,651	(74,114)	-	-	-	-	-	-	-	51,537
Interfund Transfers Acquisition of capital assets	(82,159)	82,159	-	-	-	-	-	-	-	-
Net assets, June 30, 2015	\$ 1,871,388	\$ 578,593	\$ -	\$ -	\$ 250,000	\$ 10,410	\$ 10,000	\$ 250,000	\$ 400,000	\$ 3,370,391
Excess (deficiency) of revenue over expenses for the year	672,639	(76,062)	11,914	-	-	-	-	-	-	608,491
Interfund Transfers Acquisition of capital assets Appropriations	(33,239)	33,239	-	-	-	-	-	-	-	-
	(1,200,000)	-	-	1,200,000	-	-	-	-	-	-
Net assets, June 30, 2016	\$ 1,310,788	\$ 535,770	\$ 11,914	\$ 1,200,000	\$ 250,000	\$ 10,410	\$ 10,000	\$ 250,000	\$ 400,000	\$ 3,978,882

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA
Statement of Cash Flows**

For the year ended June 30	2016	2015
Cash Flows from Operating Activities		
Cash receipts from members and others	\$ 3,284,602	\$ 3,043,080
Cash paid to suppliers and employees	<u>(2,912,370)</u>	<u>(2,871,055)</u>
	<u>372,232</u>	<u>172,025</u>
Cash Flows from Financing and Investing Activities		
Acquisition of capital assets	(33,239)	(82,158)
Cash receipts from investment	132,708	129,870
Net disposition (acquisition) of investments	<u>365,949</u>	<u>(547,332)</u>
	<u>465,418</u>	<u>(499,620)</u>
Net increase (decrease) in cash and bank	837,650	(327,595)
Cash and bank, beginning of year	<u>87,662</u>	<u>415,257</u>
Cash and bank, end of year	<u>\$ 925,312</u>	<u>\$ 87,662</u>

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOLOGICISTS OF THE PROVINCE OF MANITOBA

Notes to Financial Statements

For the year ended June 30, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

The Association of Professional Engineers and Geoscientists of the Province of Manitoba ("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 not-for-profit organization and as such is exempt from tax under *The Income Tax Act*.

b. Basis of Accounting

These financial statements are prepared by management in accordance with CPA Canada Handbook - Accounting - Part III - Accounting Standards for Not-for-Profit Organizations.

c. Fund Accounting

General net assets accounts for the Association's program delivery and administrative activities. These net assets report unrestricted resources and restricted operating revenue. Unrestricted net assets are intended to be used to provide protection against unanticipated costs. Council has established a goal to have a minimum of \$1,000,000 of unrestricted net assets.

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

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

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.

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.

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.

The Hearings net assets report appropriations to fund possible expenses incurred for the conduct of hearings relative to appeals on rejected applications for membership as provided for under Section 23(1) of the Act.

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOLOGICISTS OF THE PROVINCE OF MANITOBA

Notes to Financial Statements

For the year ended June 30, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

c. Fund Accounting (continued)

The Discipline By-law net assets were established through the Association's by-laws. The by-laws direct 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 are maintained by assessing general membership an amount set by Council. Appropriations from the net assets will be required to fund investigations conducted by the Investigation Committee and formal hearings of the Discipline Committee and appeals therefrom.

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.

d. Revenue Recognition

The Association follows the restricted fund method of accounting for contributions.

Members are charged an annual fee based on the calendar year January 1 to December 31, however, the Association has a fiscal year end of June 30. The Association recognizes revenue from member fees on a pro-rata basis to June 30. Deferred revenue represents the members' fees and other revenue for the six month period from July to December that are deferred and recognized as revenue in the next fiscal year.

Other fees and revenue are recognized as revenue when the registration or licensing has occurred or the services have been performed and the collection is reasonably assured.

Investment income is recognized on an accrual basis as earned.

e. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds, guaranteed investment certificates and securities have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF THE PROVINCE OF MANITOBA

Notes to Financial Statements

For the year ended June 30, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

f. 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 half of the applicable rate applied 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

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 revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

2. Investments

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

	<u>2016</u>	<u>2015</u>
Bonds and Guaranteed Investment Certificates	\$ 959,186	\$ 1,153,373
Securities		
Canadian	2,710,910	2,439,100
Foreign	370,076	588,678
T-Bill Fund	-	1,283
	<u>\$ 4,040,172</u>	<u>\$ 4,182,434</u>

Bonds and Guaranteed Investment Certificates bear interest ranging from 1.41% to 9.25% (1.75% to 9.25% in 2015) with maturities from November 2016 to June 2036.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOSCIENTISTS OF THE PROVINCE OF MANITOBA
Notes to Financial Statements**

For the year ended June 30, 2016

3. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 367,748	\$ 335,387	\$ 351,736	\$ 332,554
Computer software	143,142	117,454	142,182	96,040
Office furniture and equipment	290,755	149,466	288,803	133,821
Leasehold improvements	727,206	390,774	712,891	354,604
	\$ 1,528,851	\$ 993,081	\$ 1,495,612	\$ 917,019
Net book value		\$ 535,770		\$ 578,593

4. Commitment

The Association has entered into a lease agreement for its office premises expiring in October 2018 with an option to renew for an additional five years. Annual lease payments are \$123,000 annually plus common costs.

5. Members' Annual Fees

	2016	2015
Late fees	\$ 15,850	16,080
Licencees	7,726	6,036
Non-practicing - Unemployed	11,223	9,131
Practicing	1,950,089	1,829,742
Retired	44,055	43,646
	\$ 2,028,943	\$ 1,904,635

ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOLOGICISTS OF THE PROVINCE OF MANITOBA

Notes to Financial Statements

For the year ended June 30, 2016

6. 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 its Asset Protection & Risk Management and Investment Policies to achieve these objectives by:

- (a) considering economic conditions and the risk characteristics of underlying assets;
- (b) establishing annual operating and capital budgets and monitoring related performance;
- (c) establishing rolling performance objectives for excess of revenues over expenses and cash flow and monitoring related performance;
- (d) maintaining liquid assets at least sufficient to fund operating expenses; and,
- (e) controlling operating costs relative to available revenue.

7. Financial Instrument Risk Management

The Association, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The Association's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Association's activities. The following analysis provides a measurement of those risks at year end.

Credit Risk

Credit risk is the risk that the Association will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Association to significant concentrations of credit risk consist primarily of cash and bank, accounts receivables and investments. The Association is not exposed to significant credit risk as the receivables have typically been paid when due and investments are diversified.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA
Notes to Financial Statements**

For the year ended June 30, 2016

7. Financial Instrument Risk Management (continued)

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.

Interest Rate and Market Risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions and interest rates. The Association is not exposed to significant interest rate risk as investments are diversified. The Association is exposed to market risk and follows its Investment Policy to monitor the investments in an effort to safeguard against market fluctuations.

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 follows its Investment Policy to monitor the investments in an effort to minimize its exposure to foreign exchange risk.

8. Comparative Amounts

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA
Schedule 1 - Administration Expenses**

For the year ended June 30	2016	2016	2015
	Budget	Actual	Actual
Advertising	\$ 161,700	\$ 103,912	\$ 101,764
Bank charges	106,800	119,659	108,877
Courier	6,300	3,417	6,933
Dues, subscriptions and national assessment fees	88,645	88,518	84,256
Governance	28,500	12,125	4,618
Insurance	16,700	14,871	15,917
Internet	5,940	7,497	6,631
Occupancy	212,800	211,220	207,848
Other	1,900	20,808	12,854
Outside services	263,700	303,028	320,173
Postage	32,250	38,032	33,282
Printing, office supplies and equipment	105,600	126,225	101,648
Professional fees	224,400	193,984	224,802
Salaries and benefits	1,165,607	1,139,387	1,228,364
Sponsorships	96,950	96,869	89,561
Staff training	10,000	10,559	8,242
Telephone	14,900	19,933	13,564
	\$ 2,542,692	\$ 2,510,044	\$ 2,569,334

**ASSOCIATION OF PROFESSIONAL ENGINEERS AND
GEOLOGICISTS OF THE PROVINCE OF MANITOBA**
Schedule 2 - Changes in Members' Roll and Members in Training
(Unaudited)

For the year ended June 30, 2016

Members on Roll

Members on Roll, June 30, 2015			6,209
Reinstatements	29		
Registrations	193		
Registrations - mobility	379		601
			6,810
Members deceased	11		
Resignations	244		
Removed from Roll for non-payment of dues	114		369
			6,441
Members on Roll, June 30, 2016			6,441

Members in Training

Members in training, June 30, 2015			1,356
Net increase			71
Members in training, June 30, 2016			1,427