

**Professional Engineers and
Geoscientists Newfoundland and
Labrador
Financial Statements
For the Year Ended December 31, 2018**

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Labrador
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Independent Auditor's Report

To the members of Professional Engineers and Geoscientists Newfoundland and Labrador

Opinion

We have audited the financial statements of Professional Engineers and Geoscientists Newfoundland and Labrador (the Organization), which comprise the statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance and 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. 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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants

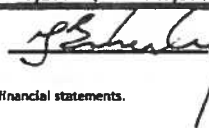
St. John's, Newfoundland and Labrador
May 23, 2019

**Professional Engineers and Geoscientists Newfoundland and Labrador
Statement of Financial Position**

December 31	General Fund	Future Set Fund	Endowment Fund	2018 Total	2017 Total (Restated, Note 2)
Assets					
Current					
Cash	\$ 1,545,107	\$ 3,112	\$ 689	\$ 1,548,908	\$ 1,458,708
Marketable securities (Note 3)	989,222	-	538,410	1,527,632	1,833,372
Accounts receivable	3,013	5,344	2	8,359	7,306
Prepaid expenses	11,313	-	-	11,313	11,313
Interfund receivables	1,581	-	6,250	7,833	7,631
	<u>2,550,236</u>	<u>8,456</u>	<u>545,351</u>	<u>3,104,045</u>	<u>3,318,330</u>
Long-term investments (Note 4)	444,387	-	-	444,387	208,963
Capital assets (Note 5)	149,419	753	-	150,172	175,492
	<u>\$ 3,144,042</u>	<u>\$ 9,209</u>	<u>\$ 545,351</u>	<u>\$ 3,698,604</u>	<u>\$ 3,702,785</u>
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 153,089	\$ -	\$ -	\$ 153,091	\$ 133,562
Deferred income	1,166,619	-	-	1,166,619	1,070,807
Interfund payable	-	7,833	-	7,833	7,631
	<u>1,319,708</u>	<u>7,833</u>	<u>-</u>	<u>1,327,543</u>	<u>1,212,000</u>
Net Assets					
Unrestricted	999,304	1,376	-	1,000,680	1,109,121
Capital asset fund	149,417	-	-	149,417	174,550
Legal and miscellaneous contingency fund	506,710	-	-	506,710	474,049
Wind-up contingency fund	168,903	-	-	168,903	158,016
Externally restricted	-	-	545,351	545,351	575,049
	<u>1,824,334</u>	<u>1,376</u>	<u>545,351</u>	<u>2,371,061</u>	<u>2,490,785</u>
	<u>\$ 3,144,042</u>	<u>\$ 9,209</u>	<u>\$ 545,351</u>	<u>\$ 3,698,604</u>	<u>\$ 3,702,785</u>

On behalf of the Board:

 Director

 Director

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

**Professional Engineers and Geoscientists Newfoundland and Labrador
Statement of Changes in Net Assets**

For the year ended December 31	General Fund	Capital Assets - General Fund	Legal and Miscellaneous Contingency - General Fund	Wind-up Contingency - General Fund	Future Set Fund	Endowment Fund	2018 Total	2017 Total (Restated, Note 2)
Balance, beginning of the year	\$ 1,099,140	\$ 174,550	\$ 474,049	\$ 158,016	\$ 9,981	\$ 575,049	\$ 2,490,785	\$ 2,503,524
Deficiency of revenues over expenses	(42,741)	(38,680)	-	-	(8,605)	(29,698)	(119,724)	(12,739)
Capital purchases, net	(13,547)	13,547	-	-	-	-	-	-
Interfund transfers	(43,548)	-	32,661	10,887	-	-	-	-
Balance, end of the year	\$ 999,304	\$ 149,417	\$ 506,710	\$ 168,903	\$ 1,376	\$ 545,351	\$ 2,371,061	\$ 2,490,785

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

**Professional Engineers and Geoscientists Newfoundland and Labrador
Statement of Operations**

For the year ended December 31	General Fund	Future Set Fund	Endowment Fund	2018 Total	2017 Total (Restated, Note 2)
Revenue					
Membership fees	\$ 1,125,086	\$ -	\$ -	\$ 1,125,086	\$ 1,097,218
Permit fees	447,089	-	-	447,089	412,364
Other (Note 7)	87,034	-	-	87,034	25,243
Registration fees	110,919	-	-	110,919	129,578
Seals & examinations	71,343	-	-	71,343	117,591
Conference revenue	8,770	-	-	8,770	19,822
Chapter revenue	56,548	-	-	56,548	53,414
Donations	-	2,102	7,422	9,524	22,520
Interest and investment revenue	5,734	-	15,093	20,827	66,475
Unrealized gain (loss) on investments	(5,021)	-	(25,005)	(30,026)	44,353
	1,907,502	2,102	(2,490)	1,907,114	1,988,578
Expenses					
Administration	473,096	228	4,708	478,032	461,078
Amortization	55,736	-	-	55,736	53,366
Board governance	75,439	-	-	75,439	77,831
Chapter expense	63,678	-	-	63,678	60,048
Conference	46,316	-	-	46,316	51,936
Engineers Canada/Geoscientists Canada	81,133	-	-	81,133	84,427
Internal and external communications	87,985	5,908	-	93,893	140,977
Meetings expense	20,690	-	-	20,690	13,541
Member services	28,594	-	-	28,594	21,456
Other	6,560	-	-	6,560	7,125
Professional fees	180,462	-	-	180,462	165,155
Salaries and wages	781,174	-	-	781,174	676,586
Scholarships and student support	17,573	3,934	22,500	44,007	57,940
Seals & examinations	62,496	-	-	62,496	106,798
Travel	7,991	637	-	8,628	23,053
	1,988,923	10,707	27,208	2,026,838	2,001,317
Deficiency of revenues over expenses	\$ (81,421)	\$ (8,605)	\$ (29,698)	\$ (119,724)	\$ (12,739)

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

**Professional Engineers and Geoscientists Newfoundland and
Labrador
Statement of Cash Flows**

For the year ended December 31	2018	2017 <i>(Restated, Note 2)</i>
Cash flows from (to) operating activities		
Cash receipts from customers	\$ 2,011,071	\$ 1,836,878
Cash paid to suppliers and employees	(1,951,572)	(1,946,217)
Interest and dividends received	68,816	70,887
	128,315	(38,452)
Cash flows from (to) investing activities		
Purchase of investments	(2,039,171)	(422,409)
Proceeds on disposal of investments	2,031,471	305,691
Acquisition of capital assets	(13,547)	(155,230)
Acquisition of intangible assets	(16,868)	(3,442)
	(38,115)	(275,390)
Net increase (decrease) in cash	90,200	(313,842)
Cash, beginning of the year	1,458,708	1,772,550
Cash, end of the year	\$ 1,548,908	\$ 1,458,708

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

Professional Engineers and Geoscientists Newfoundland and Labrador

Notes to Financial Statements

December 31, 2018

1 .Significant Accounting Policies

Nature and Purpose of Organization	The organization was incorporated without share capital under the laws of the Province of Newfoundland and Labrador as a non-profit organization on March 7, 1995. Its principal activities include the registration and regulation of the engineering and geoscience professions, as well as the promotion of the proficiency of professional engineers and geoscientists in the Province of Newfoundland and Labrador. The organization is a non-profit organization under the Income Tax Act and is exempt from income tax.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).
Fund Accounting	<p>The organization follows the deferral method of accounting for contributions and presents using fund accounting.</p> <p>Revenues and expenses related to program delivery and administrative activities are reported in the General Fund. The General Fund also reports activity for unrestricted funds where no separate fund is presented. This includes Capital Asset Fund, Legal and Miscellaneous Contingency Fund and Wind-up Contingency Fund.</p> <p>The Endowment Fund is an unincorporated registered charity and is not subject to income tax. The purpose of the Endowment Fund is to receive donations from members of Professional Engineers and Geoscientists Newfoundland and Labrador to aid in the provision of scholarships and bursaries to worthy students.</p> <p>The Future Set fund was formed in 1995 and is an unincorporated registered charity and is not subject to income tax. The purpose of the division is to advance the education of school age children through camps and school workshops. Also, the National Engineering and Geoscience Month (NEGM) program commenced in 2010. This program focuses on the sustainability of the professions of engineering and geoscience by promoting interest in these professions among youth.</p>

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

1. Significant Accounting Policies (continued)

**Internally Restricted
Contingency Funds**

The legal and miscellaneous contingency fund and wind-up contingency fund represent internally restricted appropriated surplus funds set aside by the Board of Directors to ensure the long-term financial viability of PEG NL. These funds are not to be used for operating purposes without specific approval of the Board of Directors.

The Board of Directors approved that the balances of these appropriated surplus funds shall be adjusted annually to 3/12 of actual yearly expenses for the legal and miscellaneous contingency fund and 1/12 of actual yearly expenses for the wind-up contingency fund.

Capital Assets

Capital assets are stated at cost or deemed cost less accumulated amortization.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Computer equipment	Declining balance	20% & 50%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight line	5 years

The organization regularly reviews its capital assets to eliminate obsolete items.

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

1. Significant Accounting Policies (continued)

Revenue Recognition	<p>The organization follows the deferral method of accounting for contributions.</p> <p>Revenue from membership fees, licenses to practice and permits to practice are recognized in full during the period in which they were received as payment of these fees are voluntary. The revenue is not considered collectible until the fees are received.</p> <p>The organization sends reminder notices to its members in October of upcoming membership renewals. All membership fees received after this time are treated as membership revenue for the upcoming fiscal year, and are adjusted to deferred revenue.</p> <p>Unrestricted net investment income is recognized as revenue when earned.</p> <p>Endowment contributions are recognized as net assets when received.</p> <p>Net investment income earned on endowment fund resources are fully restricted and are recognized as revenue of the fund when earned.</p> <p>All other revenue is recognized on the accrual basis, when performance is achieved and collectibility is reasonably assured.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist.</p>
Contributed Services	<p>Volunteers contribute many hours per year to assist the division in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

1. Significant Accounting Policies (continued)

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include deferred revenue and the useful lives of capital assets.

2. Prior Period Adjustment

A prior period adjustment of \$72,479 has been made and comparative amounts have been restated to include the activity of local chapters determined to be controlled by the organization. Previously reported assets and unrestricted net assets were understated and liabilities were overstated, resulting in the following changes to the December 31, 2017 comparative amounts presented in these financial statements:

	2017 Previously reported	Increase (Decrease)	2017 as restated
Cash	\$ 1,426,277	\$ 32,431	\$ 1,458,708
Accounts payable and accrued liabilities	173,610	(40,048)	133,562
Unrestricted fund - opening	2,424,411	79,113	2,503,524
Chapter revenue	-	53,414	53,414
Chapter expense	-	60,048	60,048
Unrestricted fund - ending	2,418,306	72,479	2,490,785

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

3. Marketable Securities

	2018	2017
Marketable securities, at cost	\$ 932,840	\$ 1,194,064
Adjustment to fair value	56,383	69,957
	\$ 989,223	\$ 1,264,021
	2018	2017
Endowment Funds - Marketable Securities	\$ 494,407	\$ 500,343
Endowment Fund - Adjustment to fair value	44,003	69,008
	\$ 538,410	\$ 569,351

4. Long-term Investments

	2018	2017
Long-term investments, at cost	\$ 444,757	\$ 217,885
Adjustment to fair value	(370)	(8,922)
	\$ 444,387	\$ 208,963

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 173,503	\$ 143,011	\$ 160,784	\$ 136,967
Furniture and equipment	219,838	184,384	219,009	175,624
Leasehold improvements	120,322	36,096	120,322	12,032
	513,663	363,491	500,115	324,623
		\$ 150,172		\$ 175,492

6. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$70,447 (2017 - \$55,168).

7. Other Revenue

	2018		2017	
Revenue - Insurance Programs	\$ 85,327	\$	23,323	\$
Revenue - Sundry (other)	1,707	\$	1,521	\$
Revenue - Dialogue	-	\$	399	\$
	\$ 87,034	\$	25,243	\$

8. Member Services

Member services expense relates to secondary professional liability premiums.

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

9. Lease Commitments

The organization has a lease with respect to its office space and parking that expires on October 1, 2021. Under the lease, the organization is required to pay a base rent of \$17,348 per month, which includes all operating costs, realty taxes and electricity. Included in the administration expense are payments of \$208,176 (2017 - \$183,325) pertaining to this lease.

The organization also has a lease with respect to office equipment that expires on October 31, 2021. Under the lease, the organization is required to pay a base rent of \$214 per month. Included in the administration expense are payments of \$2,563 (2017 - \$427) pertaining to this lease.

Future minimum lease payments as at December 31, 2018 are as follows:

2019	\$	210,740
2020		210,710
2021		158,055
	\$	<u>579,505</u>

10. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The organization is exposed to this risk mainly through its accounts payable and accrued liabilities. Liquidity risk has increased from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is exposed to interest rate risk and other price risk.

**Professional Engineers and Geoscientists Newfoundland and
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Notes to Financial Statements**

December 31, 2018

10. Financial Instruments (continued)

Interest rate risk

The organization is exposed to interest rate fair value risk on its fixed rate investments. The organization's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. The organization mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time. The risk has decreased from the prior year due to significant decrease in fixed income investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is exposed to other price risk through its investments in quoted shares included in investments. The risk has increased from the prior year due to increase in marketable securities.

11. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
