

Tabled by Minister of Service NL
2012. 06. 18.
JMK.

**PROFESSIONAL ENGINEERS AND GEOSCIENTISTS
NEWFOUNDLAND AND LABRADOR
Financial Statements
Year Ended December 31, 2011**

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

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Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of Professional Engineers and Geoscientists Newfoundland and Labrador

We have audited the accompanying financial statements of Professional Engineers and Geoscientists Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flow 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 generally accepted accounting principles, 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.

Auditors' 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 qualified audit opinion.

(continues)

Independent Auditor's Report to the Members of Professional Engineers and Geoscientists Newfoundland and Labrador (continued)

Basis for Qualified Opinion

In common with many charitable organizations, the association derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the association. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Professional Engineers and Geoscientists Newfoundland and Labrador as at December 31, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

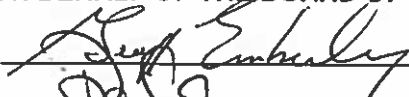
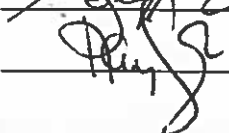
St. John's, Newfoundland and Labrador
April 13, 2012


BDO Gaudet LLP
CHARTERED ACCOUNTANTS

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR
Statement of Financial Position
As at December 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash and bank	\$ 1,098,333	\$ 478,584
Short term investments (Notes 2, 4)	48,179	-
Accounts receivable	2,059	2,001
Prepaid expenses	11,055	17,986
	<u>1,159,626</u>	498,571
PROPERTY AND EQUIPMENT (Notes 2, 5)	53,140	43,160
LONG-TERM INVESTMENTS (Notes 2, 6)	517,343	591,404
INTANGIBLE ASSET (Net of accumulated amortization)(Note 7)	19,536	27,625
	<u>\$ 1,749,645</u>	<u>\$ 1,160,760</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 8, 9)	\$ 148,026	\$ 78,053
Deferred income (Note 10)	706,238	378,318
Due to related parties (Notes 11, 12, 13)	5,839	2,733
Current portion of obligations under capital lease (Note 14)	8,825	8,144
	<u>868,928</u>	467,248
OBLIGATIONS UNDER CAPITAL LEASE (Note 14)	11,624	5,752
	<u>880,552</u>	473,000
NET ASSETS		
Unrestricted fund	618,063	446,710
Restricted fund (Note 2)	197,890	197,890
Invested in capital assets	53,140	43,160
	<u>869,093</u>	687,760
	<u>\$ 1,749,645</u>	<u>\$ 1,160,760</u>

ON BEHALF OF THE BOARD OF DIRECTORS

 Secretary-Treasurer
 Chair

See accompanying notes to financial statements.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Statement of Changes in Net Assets

Year Ended December 31, 2011

	Unrestricted Fund	Restricted Fund	Invested in Capital Assets	2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ 446,710	\$ 197,890	\$ 43,160	\$ 687,760	\$ 660,880
Capital purchases, net	(23,881)	-	23,881	-	-
Excess of revenues over expenses	195,234	-	(13,901)	181,333	26,880
NET ASSETS - END OF YEAR	\$ 618,063	\$ 197,890	\$ 53,140	\$ 869,093	\$ 687,760

See accompanying notes to financial statements.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Statement of Operations

Year Ended December 31, 2011

	Budget 2011	2011	2010
REVENUES			
Membership fees	\$ 658,000	\$ 794,821	\$ 727,046
Permit fees	232,000	263,521	243,912
Other (Note 15)	104,500	133,617	101,508
Registration fees	86,000	170,962	120,113
Interest and investment revenue	15,000	23,753	13,592
Conference revenue	23,000	23,330	21,615
	<u>1,118,500</u>	<u>1,410,004</u>	<u>1,227,786</u>
EXPENSES			
Administration (Note 16)	256,000	304,696	304,918
Board governance	70,100	44,525	50,956
CCPE/CCPG	68,500	59,806	63,887
Conference	55,900	58,340	56,159
Internal and external communications	84,500	77,918	65,287
Meetings expense	13,000	6,916	6,330
Member services (Note 18)	18,000	15,734	17,946
Other (Note 19)	92,000	144,578	129,117
Professional fees	46,500	46,348	71,896
Salaries and wages	450,500	393,145	423,269
Scholarships and donations	25,200	19,430	16,785
Travel	32,000	14,138	24,057
	<u>1,212,200</u>	<u>1,185,574</u>	<u>1,230,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(93,700)	224,430	(2,821)
Unrealized gain (loss) on investments (Note 20)	-	(43,097)	29,701
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (93,700)</u>	<u>\$ 181,333</u>	<u>\$ 26,880</u>

See accompanying notes to financial statements.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Statement of Cash Flow

Year Ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from members and related activities	\$ 1,714,113	\$ 1,256,757
Cash paid to suppliers and employees	(1,006,306)	(1,139,902)
Interest and investment revenue	23,753	13,592
Interest paid	(65,244)	(41,188)
Cash flow from operating activities	666,316	89,259
INVESTING ACTIVITIES		
Purchase of equipment	(7,379)	(7,334)
Purchase of intangible asset	(15,130)	(28,347)
Purchase (net of disposal) of long-term investments	(37,840)	59,602
Purchase of short-term investments	(49,450)	-
Cash flow from (used by) investing activities	(109,799)	23,921
FINANCING ACTIVITIES		
Advances from (to) related parties	3,106	(413)
Repayment of obligations under capital lease	(9,949)	(7,122)
Cash flow used by financing activities	(6,843)	(7,535)
INCREASE IN CASH FLOW	549,674	105,645
Cash - beginning of year	548,659	443,014
CASH - END OF YEAR	\$ 1,098,333	\$ 548,659
CASH CONSISTS OF:		
Cash and bank	\$ 1,098,333	\$ 478,584
Cash account - long term investments	-	70,075
	\$ 1,098,333	\$ 548,659

See accompanying notes to financial statements.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

1. DESCRIPTION OF OPERATIONS

Professional Engineers and Geoscientists Newfoundland and Labrador (PEG NL) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles except that revenue from membership fees, licenses to practice and permits to practice are recognized in full during the period in which they are received. All other revenue is recognized on the accrual basis.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	20%	declining balance method
Computer equipment under capital lease	50%	declining balance method
Equipment under capital lease	20%	declining balance method
Furniture and equipment	20%	declining balance method

The association regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Investments

Short-term and long-term investments are comprised of fixed income bonds and mutual funds. The investments have been classified as held for trading. Unrealized gains and losses related to the investments are included in net earnings for the year.

Investment income

Investment income includes dividends, interest, and realized and unrealized gains and losses. Unrealized gains and losses on held-for-trading financial assets are recognized in the statement of operations.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Internally restricted assets

The Restricted fund represents 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.

Management of net assets

The association's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate of being a non-profit organization. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenses against its annual operating budget. When necessary, the association takes prompt action to reduce expenditures when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

Financial risk management objectives and policies

The association's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As a part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the association's exposure.

3. FINANCIAL INSTRUMENTS

The association's financial instruments consist of cash and bank, accounts receivable, investments, accounts payable and accrued liabilities and obligations under capital lease. They are classified and accounted for in accordance with CICA Handbook Section 3855 - Financial Instruments: Recognition and Measurement as "financial instruments held for trading", "held to-maturity investments", "loans and receivables" or "available-for-sale financial assets" as follows:

- Investments in fixed income bonds and mutual funds which are held-for-trading are carried at fair value. When available, fair value is determined by reference to bid price at the end of the year in an active market. When the bid price is not available, or the market for a financial instrument is not active, fair value has been determined by reference to published price quotations and to the fair value of other financial instruments which bear similar risks and returns.
- Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

The association does not enter into hedging activities and does not engage in derivative transactions.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

4. SHORT TERM INVESTMENTS

	2011	2010
NB Prov 5.875% 06Dec2012 <i>(market value \$48,179)</i>	\$ 49,450	\$ -
Adjustment to market value	(1,271)	-
	<u>\$ 48,179</u>	<u>\$ -</u>

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer equipment	\$ 89,596	\$ 75,457	\$ 14,139	\$ 15,559
Computer equipment under capital lease	25,072	19,459	5,613	8,794
Equipment under capital lease	69,972	53,440	16,532	3,925
Furniture and equipment	109,274	92,418	16,856	14,882
	<u>\$ 293,914</u>	<u>\$ 240,774</u>	<u>\$ 53,140</u>	<u>\$ 43,160</u>

6. LONG-TERM INVESTMENTS

	2011	2010
Acuity All Cap 30 Canadian Equity Fund Low Load - DSC <i>(market value \$34,804)</i>	\$ 43,206	\$ -
Acuity All-Cap30 Canadian Equity Fund	-	36,109
Bell CDA 3.6% 02Dec2015 <i>(market value \$72,871)</i>	69,941	-
NB Prov 5.875% 06Dec2012	-	49,450
CIF CAP International Global Equity Class F-NL <i>(market value \$59,862)</i>	59,402	59,106
Manulife Trust Investment Savings MS-NL <i>(market value \$79,975)</i>	79,975	-
Fidelity Canadian Disciplined Equity Fund Series F-NL <i>(market value \$67,304)</i>	64,575	64,575
GE CAP CDA 5.28% 22OCT2014 <i>(market value \$65,109)</i>	64,117	64,117
Harbour Fund-LL <i>(market value \$29,489)</i>	31,126	31,109
MAC Cundill Value Fund-LL <i>(market value \$27,168)</i>	30,716	29,989
MAN Prov 5.05% 03Dec2013 <i>(market value \$50,600)</i>	49,092	49,092
Manulife Global Real Estate Fund <i>(market value \$30,160)</i>	30,486	30,486
Manulife Bank Investment Savings MS-NL	-	8,783
RBC 4.92% 06Jul2011	-	61,979
Investment cash account	-	70,075
	<u>522,636</u>	<u>554,870</u>
Adjustment to market value	(5,293)	36,534
	<u>\$ 517,343</u>	<u>\$ 591,404</u>

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

7. INTANGIBLE ASSET

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Database, online payment and professional development reporting system	\$ 104,912	\$ 85,376	\$ 19,536	\$ 27,625

The intangible asset is being amortized on a straight line basis over three years.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Chapter dues	\$ 20,993	\$ 12,396
Other	127,033	65,657
	<u>\$ 148,026</u>	<u>\$ 78,053</u>

9. COLLECTIONS ON BEHALF OF PROVINCIAL DISTRICTS

The following amounts were collected on behalf of the Provincial Districts. Amounts that have not yet been forwarded to the appropriate districts are included in "Accounts Payable and Accrued Liabilities".

	2011	2010
Districts		
Central Newfoundland	\$ 945	\$ 1,080
Eastern Newfoundland Engineering Society	35,146	24,085
Labrador	1,005	900
West Coast	615	870
	<u>\$ 37,711</u>	<u>\$ 26,935</u>

10. DEFERRED INCOME

Deferred income represents membership fees received in the current period but relating to the 2012 fiscal year.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

11. ENDOWMENT FUND

During 1995, the association made application for, and was granted, charitable status for a fund called Professional Engineers and Geoscientists of Newfoundland and Labrador Endowment Fund. The endowment fund receives donations from members and intends to become a self-sustaining scholarship fund. At December 31, 2011, the endowment fund had net assets of \$453,955 (2010 - \$489,480).

During the fiscal year, \$8,102 of donations were collected, \$10,400 of scholarships and \$12,000 of bursaries were paid and an additional \$10,000 of scholarships are due to be paid in early 2012. Also, during the year the association transferred \$6,497 to the organization and \$32,400 of funds were transferred from the organization's Manulife Securities investment account in order to facilitate the payment of scholarships. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. FUTURE SCIENTISTS, ENGINEERS AND TECHNOLOGISTS

During 1995, the association made application for and was granted charitable status for the Professional Engineers and Geoscientists of Newfoundland and Labrador Future Scientists, Engineers and Technologists (PEG NL - Future SET). The organization advances the education of school age children through camps and school workshops. As at December 31, 2011, the organization had a surplus of \$8,965 (2010 - \$5,555), held cash of \$682 (2010 - \$1,648) and had accounts payable of \$2,093 (2010 - nil).

During 2011, the association made \$15,000 of donations to PEG NL - Future SET (2010 - nil). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. DUE TO RELATED PARTIES

	<u>2011</u>	<u>2010</u>
Due to PEG NL - Endowment Fund	\$ 4,339	\$ 2,733
Due to PEG NL - Future SET	1,500	-
	<u>\$ 5,839</u>	<u>\$ 2,733</u>

The balance owing to related parties is non-interest bearing and is expected to be repaid within the next fiscal year. See Notes 11 and 12 for details of related party transactions during the year.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

14. OBLIGATIONS UNDER CAPITAL LEASE

	2011	2010
Dell Financial Services lease bearing interest at 7.99% per annum, repayable in monthly blended payments of \$329. The lease matures on August 31, 2012 and is secured by computer equipment with a carrying value of \$1,969.	\$ 2,243	\$ 5,853
Dell Financial Services lease bearing interest at 18.1% per annum, repayable in monthly blended payments of \$402. The lease matures on September 30, 2012 and is secured by computer equipment with a carrying value of \$2,081.	3,008	6,894
Dell Financial Services lease bearing interest at 18.1% per annum, repayable in monthly blended payments of \$67. The lease matures on September 30, 2012 and is secured by computer equipment with a carrying value of \$347.	479	1,149
Dell Financial Services lease bearing interest at 15.9% per annum, repayable in monthly blended payments of \$57. The lease matures on January 21, 2014 and is secured by computer equipment with a carrying value of \$1,216.	1,205	-
CIT Financial Ltd. lease bearing interest at 9.88% per annum, repayable in monthly blended payments of \$316. The lease matures on May 12, 2016 and is secured by a photocopier with a carrying value of \$13,392.	13,514	-
	20,449	13,896
Amounts payable within one year	(8,825)	(8,144)
	<u>\$ 11,624</u>	<u>\$ 5,752</u>

Future minimum capital lease payments are approximately:

2012	\$ 10,524
2013	4,471
2014	3,844
2015	3,787
2016	1,578
	<u>24,204</u>
Total minimum lease payments	24,204
Less: amount representing interest at various rates	(3,755)
	<u>\$ 20,449</u>

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

15. OTHER REVENUE

	Budget	2011	2010
Dialogue	\$ 4,000	\$ 3,900	\$ 4,000
Insurance programs	13,000	13,330	14,690
National Engineering Week	-	-	1,500
Professional seals	12,000	30,465	21,150
Professional practice	72,000	83,140	56,581
Sundry	3,500	2,782	3,587
	<u>\$ 104,500</u>	<u>\$ 133,617</u>	<u>\$ 101,508</u>

16. ADMINISTRATION EXPENSE

	Budget	2011	2010
Activity fee expense - bank	\$ -	\$ 3,596	\$ 3,946
Amortization (<i>see note below</i>)	-	13,901	16,468
Amortization - intangible asset	-	23,219	25,427
Equipment service and repairs	18,000	26,254	26,033
Freight and courier	4,000	5,699	3,926
Insurance	14,000	11,298	11,913
Interest expense - Visa	-	27,806	15,412
Interest on obligations under capital lease	-	2,440	2,472
Leased equipment expense (Note 14)	5,000	1,084	3,149
Miscellaneous (<i>see note below</i>)	20,000	3,923	5,926
Office accommodations (Note 14)	112,000	113,137	116,292
Office supplies	16,000	15,511	13,517
Payroll	37,500	31,820	33,425
Postage	13,500	11,637	11,494
Printing/copying	4,000	3,001	2,653
Telephone and communications	12,000	10,370	12,865
	<u>\$ 256,000</u>	<u>\$ 304,696</u>	<u>\$ 304,918</u>

Amortization expense includes \$7,075 of amortization of assets under capital lease.

The budget for miscellaneous expense includes bank fees and credit card interest.

PROFESSIONAL ENGINEERS AND GEOSCIENTISTS NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2011

17. LEASE COMMITMENTS

The association has a long term lease, with respect to its office space and parking area, that expires in July 2013. Under the lease, the association is required to pay a base rent of \$89,280 and its proportionate share of utilities, property taxes, maintenance and other related costs for the leased premises. Included in the Administration expense are payments of \$113,137 (2010 - \$116,292) pertaining to this lease. Future minimum lease payments as at year end are as follows:

2012	\$ 100,800
2013	58,800
	<u>\$ 159,600</u>

The association has entered into long term leases for various office equipment. Future minimum lease payments as at year end are as follows:

2012	\$ 2,484
2013	771
	<u>\$ 3,255</u>

18. MEMBER SERVICES

Member services expense relates to secondary professional liability insurance premiums.

19. OTHER EXPENSES

	Budget	2011	2010
Act, regulations and by-laws revisions	\$ -	\$ 4,926	\$ 18,951
Activity fee expense - bank	-	3,596	3,945
Examinations	65,000	83,897	55,388
Interest expense - visa	-	27,806	15,413
Miscellaneous (<i>see note below</i>)	20,000	3,921	5,926
Professional seal	7,000	20,432	13,954
Registrar search expense	-	-	15,540
	<u>\$ 92,000</u>	<u>\$ 144,578</u>	<u>\$ 129,117</u>

The budget for miscellaneous expense includes bank fees and credit card interest.

20. UNREALIZED GAIN (LOSS) ON INVESTMENTS

	2011	2010
Market value of long-term investments	\$ 517,343	\$ 521,329
Adjusted cost base of long-term investments	522,635	484,795
Market value of short-term investments	48,179	-
Adjusted cost base of short-term investments	49,450	-
	<u>(6,563)</u>	<u>36,534</u>
Reversal of prior year's unrealized (gain) loss	<u>(36,534)</u>	<u>(6,833)</u>
Unrealized gain on long-term investments	<u>\$ (43,097)</u>	<u>\$ 29,701</u>