

2008 Financial Statements



Management's Responsibility for Financial Reporting

The accompanying financial statements of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) and all the information in the annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

APEGGA maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Association's assets are appropriately accounted for and adequately safeguarded.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for the financial statements. Council carries out this responsibility principally through its Audit Committee.

The Audit Committee, which is composed of Council and other members, reviews the audited annual financial statements to be contained in the annual report and recommends them to Council for approval. The Committee meets with management as well as the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is discharging its responsibilities properly and to review the financial statements and the external auditors' report. The Committee also recommends the engagement of the external auditors, which is reviewed by Council and approved by the members.

The financial statements have been audited by Kingston Ross Pasnak LLP Chartered Accountants, in accordance with Canadian generally accepted auditing standards, on behalf of the members. Kingston Ross Pasnak LLP has full and free access to the Audit Committee.

H. Neil Windsor, P.Eng.
Executive Director & Registrar

Albert J. Schulz, P.Eng.
Deputy Registrar



The Association of Professional Engineers,
Geologists and Geophysicists of Alberta

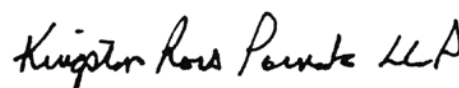
Auditors' Report

To the members of The Association of Professional Engineers, Geologists and Geophysicists of Alberta:

We have audited the statement of financial position of The Association of Professional Engineers, Geologists and Geophysicists of Alberta as at December 31, 2008, and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Kingston Ross Pasnak LLP
Chartered Accountants

January 30, 2009
Edmonton, Alberta



Statement of Financial Position

As at December 31, 2008

ASSETS	2008	2007
CURRENT ASSETS		
Cash and term deposits	\$ 916,266	\$ 703,926
Accounts receivable	1,384,617	594,818
Prepaid expenses	195,403	136,839
	<u>2,496,286</u>	<u>1,435,583</u>
CAPITAL ASSETS (Note 3)	2,055,806	1,599,986
INVESTMENTS (Note 4)	5,876,666	7,300,714
	<u>\$ 10,428,758</u>	<u>\$ 10,336,283</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 314,790	\$ 323,474
Prepaid member dues and fees	5,866,271	5,346,357
	<u>6,181,061</u>	<u>5,669,831</u>
DEFERRED PENSION CONTRIBUTIONS (Note 5)	751,000	590,000
DEFERRED LEASE INDUCEMENT (Note 2)	155,093	201,347
	<u>7,087,154</u>	<u>6,461,178</u>
NET ASSETS		
Unrestricted	1,285,798	2,275,119
Invested in capital assets	2,055,806	1,599,986
	<u>3,341,604</u>	<u>3,875,105</u>
	<u>\$ 10,428,758</u>	<u>\$ 10,336,283</u>

Approved on behalf of Council



President G. Williams, P.Geol.



Executive Director H. Neil Windsor, P.Eng.

Statement of Operations

For the year ended December 31, 2008

	2008	2007
REVENUES		
Dues	\$ 10,233,848	\$ 8,963,100
Registration fees	1,165,661	1,126,308
Permit fees	1,133,218	1,005,720
General	1,081,205	1,039,105
Examination fees	1,076,485	949,901
Realized investment income	65,181	123,281
	<u>14,755,598</u>	<u>13,207,415</u>
EXPENSES		
Salaries, benefit, and pension	5,922,365	4,969,807
General (Schedule A)	2,469,966	2,299,119
Meetings	1,781,716	1,610,124
Office rent and parking	1,116,919	931,229
Consulting	574,801	283,519
Exam administration	559,454	397,748
Printing and stationery	494,269	502,131
Amortization of capital assets	472,370	386,590
Public awareness	416,785	459,342
Disciplinary matters	304,178	512,466
Office equipment	199,424	203,229
Contributions to the APEGGA Educational Foundation (Note 6)	92,000	92,000
Insurance	72,255	32,658
	<u>14,476,502</u>	<u>12,679,962</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	279,096	527,453
UNREALIZED (LOSS) GAIN ON INVESTMENTS	(812,597)	3,490
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>\$ (533,501)</u>	<u>\$ 530,943</u>

Statement of Changes in Net Assets

For the year ended December 31, 2008

	Invested in Capital Assets	Unrestricted	Total 2008	Total 2007
NET ASSETS, BEGINNING OF YEAR	\$ 1,599,986	\$ 2,275,119	\$ 3,875,105	\$ 3,344,162
Excess of revenues over expenditures	-	(533,501)	(533,501)	530,943
Transfers				
Additions to capital assets	928,190	(928,190)	-	-
Amortization of capital assets	(472,370)	472,370	-	-
NET ASSETS, END OF YEAR	<u>\$ 2,055,806</u>	<u>\$ 1,285,798</u>	<u>\$ 3,341,604</u>	<u>\$ 3,875,105</u>

Statement of Cash Flow

For the year ended December 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members	\$ 13,300,432	\$ 12,511,510
Cash received from general revenue	1,120,099	959,734
Cash received from investments	221,198	205,435
Cash paid for salaries and benefits	(5,967,610)	(4,940,963)
Cash paid for materials and services	(7,942,768)	(7,341,283)
	<u>731,351</u>	<u>1,394,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(928,190)	(801,302)
Proceeds on disposition of investments	1,009,179	-
Purchase of investments	(600,000)	(748,270)
	<u>(519,011)</u>	<u>(1,549,572)</u>
NET INCREASE (DECREASE) IN CASH	212,340	(155,139)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	703,926	859,065
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 916,266</u>	<u>\$ 703,926</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Excess of cheques issued over cash on deposit	\$ (57,049)	\$ 111,292
Term deposits	973,315	592,634
	<u>\$ 916,266</u>	<u>\$ 703,926</u>

Notes to the Financial Statements

Year ended December 31, 2008

Note 1

Description of Business

The Association of Professional Engineers, Geologists, and Geophysicists of Alberta (the "Association") is incorporated under the *Engineering, Geological and Geophysical Professions Act* of Alberta with the mission of serving the public interest by regulating the practices of engineering and geosciences in Alberta, by providing leadership for our professions, and by upholding our members in their professional practices. As a not-for-profit organization under the *Income Tax Act* (Canada), the Association is not subject to either federal or provincial income taxes.

Note 2

Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of certain assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from these estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Investments

Investments are recorded at market value. The Association's investments consist of fixed income and equity-based instruments held primarily for trading

purposes. The investment portfolio is managed by a third-party investment manager and is subject to an investment policy set by Council, which has as its main objective the preservation of capital. The fixed income investments which consist of federal, provincial, and corporate bonds are capable of prompt liquidation. The equity-based investments are widely held and diversified and are traded on a regular basis at the discretion of the investment manager.

The Association has classified its investments as held for trading. This accounting treatment results in unrealized changes in the market value of the investment portfolio being reported as a component of investment income reported on the statement of operations. The current year includes an unrealized loss of \$812,597 (2007 – \$3,490 gain) resulting from the difference between the cost and market value of the investment portfolio at year-end.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. The Association provides amortization on its capital assets using the straight-line method at the following rates:

	Method	Rate
Audio/Visual equipment	Straight-line	20%
Furniture and equipment	Straight-line	10%
Computer software and hardware	Straight-line	25%
Membership database	Straight-line	17%

Leasehold improvements are amortized over the remaining life of the lease.

Pension Costs and Obligations

The Association maintains a defined benefit pension plan for its employees which it accounts for in accordance with standards for employee future benefits. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. The annual pension recovery for accounting purposes is actuarially determined based on the assumptions that reflect management's best estimate of the effect of future events on the actuarial present value of accrued pension obligations and the valuation of pension plan assets. Net pension assets are amortized over the expected average remaining period of service of the employees covered by the plan.

Revenue Recognition

Dues and permit fees

Dues and permit fees are set annually by Council and are recognized as revenue proportionately over the fiscal year to which they relate.

Registration fees

Registration fees are recognized when received.

Examination fees

Examination fees are recognized when the exam is presented. The liability for the portion of examination fees invoiced but not yet presented is recorded as deferred revenue.

PEGG advertising

PEGG advertising revenue is recognized in the period in which the advertisement is published.

Notes to the Financial Statements

Note 2 (continued)

General revenue

Other general revenue is recognized when the related services are provided or goods are shipped.

Dues and permit fees, registration fees, examination fees, PEGG advertising, and general revenue are recognized when collectability is reasonably assured.

Investment income

Investment income includes interest, dividends and realized and unrealized gains and losses on sale of investments, and is recognized when earned.

Donated Services

The work of the Association is dependent on the voluntary services of many members. The value of donated services is not recognized in these statements.

Deferred Lease Inducements

Tenant lease inducements are capitalized and amortized on a straight-line basis over the term of the lease.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are

accounted for as operating leases, wherein rental payments are expensed as incurred.

Statement of Cash Flow

The Association is using the direct method in its presentation of the Statement of Cash Flow.

Foreign Currency Transactions

Investments in foreign currencies have been translated into Canadian dollars at year-end exchange rates. Revenues and expenses have been translated at the average rate of exchange during the year. Foreign exchange gains and losses are included in the determination of earnings.

Note 3

Capital Assets

			2008	2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Membership database	\$ 1,247,038	\$ 258,596	\$ 988,442	\$ 491,952
Leasehold improvements	1,234,438	683,101	551,337	522,214
Furniture and equipment	770,424	499,274	271,150	266,069
Computer software and hardware	652,057	461,489	190,568	228,676
Audio/Visual equipment	299,226	244,917	54,309	91,075
	\$ 4,203,183	\$ 2,147,377	\$ 2,055,806	\$ 1,599,986

Amortization provided for in the current year totaled \$472,370; (2007 – \$386,590).

Note 4

Investments

Marketable Securities (at market):

	2008	2007
Fixed income	\$ 3,544,170	\$ 3,454,705
Canadian equity funds	960,378	2,571,473
International equity funds	753,489	607,033
US equity funds	618,629	667,503
	\$ 5,876,666	\$ 7,300,714

Note 5

Pension Plan Information

	2008	2007
Plan balances at year end are comprised of the following:		
Plan assets at fair value	\$ 6,873,000	\$ 7,699,000
Accrued benefit obligations	7,747,000	9,354,000
Plan deficit at year end	\$ (874,000)	\$ (1,655,000)

Pension expense of \$745,000; (2007 – \$651,000) comprises the actuarial value of future pension benefits earned by the employees during the year and the amortization, over the expected average remaining service life of the employees covered by the plan, of experience gains and adjustments arising from plan amendments. In the current year, the cumulative difference between the funding contributions and the amounts expensed is reflected on the statement of financial position as deferred pension contributions.

Contributions to the plan by the Association during the year were \$583,000; (2007 – \$528,000) and by employees were \$192,000; (2007 – \$170,000).

Benefit/termination payments from the plan during the year were \$575,000; (2007 – \$359,000).

The significant long-term actuarial assumptions adopted in measuring the Association's pension benefit obligations include a discount rate of 7.50%; (2007 – 5.40%), and return on assets of 6.50%; (2007 – 6.50%). The most recent actuarial valuation of the plan for funding purposes was performed December 31, 2006.

Notes to the Financial Statements

Note 6 Related Party Transactions

The Association is related to the APEGGA Education Foundation as membership in the Foundation can occur only on the recommendation of the Association's council.

During the year the Association's contributions to the APEGGA Education Foundation of \$92,000 (2007 – \$92,000) were funded by:

	2008	2007
Summit Awards	\$ 26,850	\$ 45,800
Direct contributions	65,150	46,200
	<u>\$ 92,000</u>	<u>\$ 92,000</u>

Note 7 Lease Commitments

The Association is committed to lease agreements relating to its office premises in Edmonton and Calgary, as well as certain office equipment. Minimum lease payments under the agreements are as follows:

2009	\$ 1,222,141
2010	1,233,687
2011	1,233,687
2012	1,245,234
2013	1,245,234
2014 and thereafter	901,568
	<u>\$ 7,081,551</u>

Note 8 Financial Instruments

The Association's financial instruments consist of cash and term deposits, accounts receivable, long-term investments and accounts payable and accrued liabilities. Cash and long-term investments are classified as held-for-trading and are measured at fair value. Accounts receivable is classified as loans and receivables and is measured at amortized cost. Accounts

payable and accrued liabilities are classified as other liabilities and are measured at amortized cost.

Fair value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

Credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of accounts receivable. In the normal course of business, the Association evaluates the financial condition of its members and customers on a continuing basis and reviews the credit worthiness of all new applicants. Management assesses the need for allowances for potential credit losses by considering the historical trends, and other information.

Interest rate, market and foreign exchange risk

The investments are subject to market, interest and foreign exchange risk. The Association does not use derivative financial instruments to alter the effects of market, interest or foreign exchange fluctuations that will affect these investments.

Note 9 Capital Disclosures

The Association's objective in managing capital is to ensure sufficient liquidity to meet its monthly operating requirements and undertake selective expansion initiatives for the benefit of its members, while at the same time taking a conservative approach towards management of financial risk.

The Association's capital is comprised of its net assets. The Association's primary use of capital is to finance capital expenditures for leasehold and information technology system improvements. The Association currently funds these requirements out of its internally generated cash flows.

Council has a policy of maintaining unrestricted net assets within a range of 15% to 20% of its normalized annual operating costs. From time to time the Council may review the reserve if special risks or capital expenditure plans warrant it.

Schedule A – General Expenses

For the year ended December 31, 2008

	2008	2007
GENERAL EXPENSES		
National assessment CCPE / CCPG	\$ 589,665	\$ 530,494
Postage	461,530	469,338
Member insurance program	305,678	319,795
Bank and credit card service charges	246,630	220,045
Other general expenses	231,837	191,032
Telephone and data line	189,530	168,617
Grants and scholarships	129,324	122,984
Certificates, diplomas and photos	82,825	84,700
Awards	73,055	36,291
Seals and stamps	66,273	69,083
Courier	66,940	62,059
Public relations	26,679	24,681
	<u>\$ 2,469,966</u>	<u>\$ 2,299,119</u>