Association of Professional Engineers and Geoscientists of Alberta

Financial Statements
December 31, 2022
(in thousands of dollars)

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Independent Auditor's Report

To the Council of
Association of Professional Engineers and Geoscientists of Alberta

Opinion

We have audited the financial statements of Association of Professional Engineers and Geoscientists of Alberta (the "Association"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flow 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 Association as at December 31, 2022, and its results of operations and its cash flow 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 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.

Other Matters

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 23, 2022.

Responsibilities of Management and Those Charged with Governance 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 organziations, 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 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 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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
March 27, 2023

Association of Professional Engineers and Geoscientists of Alberta

Statement of Financial Position

As at December 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Assets		
Current assets		
Cash and cash equivalents	**1,448**	4,049
Short-term investments	**2,000**	3,000
Accounts receivable, net of allowance	**2,473**	759
Prepaids and deposits	**953**	862
	6,874	8,670
Tangible capital assets (note 3)	**4,397**	3,539
Intangible capital assets (note 4)	**5,579**	6,598
Investments (note 5)	**18,393**	20,060
Long-term prepaids and deposits	**91**	138
Defined benefit pension plan surplus (note 7)	**102**	4,979
	35,436	43,984
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,859**	1,599
Government remittances payable	**116**	93
Deferred revenue	**15,056**	14,387
	17,031	16,079
Deferred lease inducement	**1,791**	1,056
Straight line rent liability	**179**	233
	19,001	17,368
Net Assets		
Invested in tangible and intangible capital assets	**9,976**	10,137
Internally restricted – legislative review	**1,000**	1,000
Internally restricted – regulatory risk management reserve	**8,000**	6,349
Unrestricted	**(2,541)**	9,130
	16,435	26,616
	35,436	43,984

Credit facility (note 6)
Commitments and contingencies (note 8)

Approved by the Association of Professional Engineers and Geoscientists of Alberta Council

____________________ Councillor ____________________ Councillor

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

Association of Professional Engineers and Geoscientists of Alberta

Statement of Changes in Net Assets

For the year ended December 31, 2022

(in thousands of dollars)

	2022					2021
	Internally restricted					
	Invested in tangible and intangible capital assets $	**Legislative review $**	**Regulatory risk management reserve $**	**Unrestricted $**	**Total $**	**Total $**
Balance – Beginning of year	10,137	1,000	6,349	9,130	**26,616**	27,004
(Deficiency) of revenue over expenses	-	-	-	(5,075)	**(5,075)**	(731)
Pension remeasurement	-	-	-	(5,106)	**(5,106)**	343
Transfer to risk management reserve	-	-	1,651	(1,651)	-	-
Purchases of tangible and intangible assets	2,703	-	-	(2,703)	-	-
Amortization of tangible and intangible assets	(2,867)	-	-	2,867	-	-
Gain on disposal of fixed asset	3	-	-	(3)	-	-
Balance – End of year	9,976	1,000	8,000	(2,541)	**16,435**	26,616

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

Association of Professional Engineers and Geoscientists of Alberta

Statement of Operations

For the year ended December 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Revenue		
Member dues	**21,545**	21,796
Permit dues	**3,546**	3,473
Affinity programs	**1,818**	1,651
Registration fees	**1,805**	1,484
Examination fees	**1,545**	1,396
Bank interest and investment income	**761**	1,166
Program fees	**744**	696
General	**588**	514
	32,352	32,176
Expenses		
Salaries and benefits	**19,961**	18,676
IT and telecommunications	**2,520**	3,055
Occupancy costs	**2,146**	2,425
Consultants and contractors	**1,573**	1,494
Legal fees	**1,302**	1,136
National assessment and premiums	**1,136**	1,197
Travel, meals, and volunteers	**926**	251
Bank and finance charges	**755**	799
Advertising and promotion	**549**	492
Exam administration	**522**	471
Printing, supplies, and distribution	**428**	610
Administration	**292**	268
Sponsorships	**195**	107
	32,305	30,981
Excess of revenue over expenses before amortization and unrealized investment loss/gain	**47**	1,195
Amortization	**(2,867)**	(2,607)
Unrealized investment (loss) gain	**(2,255)**	681
	(5,122)	(1,926)
(Deficiency) of revenue over expenses	**(5,075)**	(731)

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

Association of Professional Engineers and Geoscientists of Alberta

Statement of Cash Flows

For the year ended December 31, 2022

(in thousands of dollars)

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
(Deficiency) of revenue over expenses	**(5,075)**	(731)
Items not affecting cash		
Amortization	**2,867**	2,607
Unrealized (gain) loss on long-term investments	**2,255**	(681)
Amortization of deferred lease inducement	**(398)**	(371)
(Gain) loss on disposal of capital asset	**(3)**	54
Straight line rent expense (recovery)	**(54)**	233
Non-cash portion of defined benefit pension plan expense	**(229)**	(234)
	(637)	877
Changes in non-cash working capital		
Accounts receivable-trade	**(581)**	919
Deferred revenue	**669**	(233)
Accounts payable and accrued liabilities	**260**	(295)
Government remittances payable	**23**	(13)
Prepaids and deposits	**(91)**	2
	275	380
	(362)	1,257
Investing activities		
Purchases of tangible and intangible capital assets	**(2,703)**	(1,861)
Purchases of long-term investments	**(873)**	(1,731)
Proceeds on disposal of long-term investments	**285**	615
Long-term prepaids and deposits	**52**	(143)
Proceeds on disposal of short-term investments	**1,000**	-
	(2,239)	(3,120)
Change in cash and cash equivalents	**(2,601)**	**(1,863)**
Cash and cash equivalents – beginning of year	**4,049**	**5,912**
Cash and cash equivalents – end of year	**1,448**	4,049

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

(in thousands of dollars)

1 Nature of the organization

The Association of Professional Engineers and Geoscientists of Alberta (APEGA) is incorporated under the provisions of the *Engineering and Geoscience Professions Act of Alberta* with the mandate of serving the public interest by regulating the practices of engineering and geosciences in Alberta, by providing leadership for its professions, and by upholding its members in their professional practices. APEGA is a tax-exempt organization under Section 149(1)(l) of the *Income Tax Act (Canada)* and therefore is not subject to federal or provincial income taxes.

2 Summary of significant accounting policies

These financial statements were prepared in accordance with Part III of the Chartered Professional Accountants of Canada (CPA) Handbook – Accounting Standards for Not-for-Profit Organizations. The significant accounting policies are summarized below.

Revenue recognition

Revenue is recognized when evidence of an arrangement exists, the service has been rendered, the price is determinable and ultimate collection is reasonably assured.

Specific revenue recognition policies include the following:

- Member dues and permit fees are set annually by Council and recognized as revenue proportionately over the fiscal year to which they relate.
- Registration fees are recognized when registration occurs and fees are received.
- Examination fees are recognized when the examination is presented.
- Affinity program revenues are recognized when earned.
- Program fees are recognized when programs occur.
- General revenue is recognized when the related services are provided or goods are shipped.
- Investment income includes interest and dividends. Interest is recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

APEGA follows the deferral method of accounting for contributions, which include grants and donations. Grants are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants are deferred when initially recorded in the accounts and are recognized as revenue in the year in which the related expenses are recognized. Donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

(in thousands of dollars)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with periods to initial maturity of less than 90 days. Short-term investments include guaranteed investment certificates, carried at cost, with maturity dates within the next twelve months, with interest rates ranging from 2.7% to 4.9%.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

Tangible capital assets

Tangible capital assets are recorded at acquisition cost. Amortization is determined using the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	4 years
Leasehold improvements	lease term
Audio/visual equipment	5 years
Furniture and equipment	10 years

Intangible capital assets

Intangible capital assets are recorded at acquisition cost.

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by APEGA are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

(in thousands of dollars)

Developed software includes the membership database and the document management system. Intangible assets are amortized from the point at which the asset is ready for use.

Amortization is determined using the straight-line method over the estimated useful lives of the assets as follows:

Computer software	3 – 5 years
Membership database	6 years

Leases

Leases are classified as capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to the ownership of property are classified as capital leases. All other leases are accounted for as operating leases, wherein rental payments are expensed on a straight-line basis over the term of the lease.

Lease inducements

Lease inducements are recorded as a liability and amortized against rent expense on a straight-line basis over the term of the lease.

Defined contribution pension plan

APEGA has established a defined contribution pension plan for its employees under which employees contribute up to 6% of their qualifying earnings which is matched by APEGA. Additional employee contributions are allowed but are not matched. Employer contributions to the defined contribution pension plan are recognized on the accrual basis.

Defined benefit pension plan

APEGA closed entry to the defined benefit pension plan at December 31, 2012. APEGA accounts for its defined benefit pension plan using the immediate recognition method. APEGA recognizes the amount of the accrued benefit obligation, net of the fair value of any assets measured at the year-end date, adjusted for any valuation allowance, in the statement of financial position. The accrued benefit obligation for the pension plan is determined based on an actuarial valuation report prepared for funding purposes, which is required to be prepared at least on a triennial basis. During those years where an actuarial valuation is not prepared, APEGA estimates the obligation.

The annual current service and finance costs of the defined benefit pension plan are recorded as pension benefit costs within salaries and benefits in the statement of operations. Remeasurements and other items, which include the difference between the actual return on plan assets and the return, calculated using the annual discount rate, actuarial gains and losses, past service costs and gains and losses arising from settlements and curtailments, are recorded as pension remeasurements and other items in the statement of changes in net assets.

(in thousands of dollars)

Reserves

APEGA Council has established two internally restricted reserves. The legislative review reserve is designated for possible future expenditures for legislative review initiatives or changes. The regulatory risk management reserve is to provide capacity to APEGA to mitigate risk while delivering its mandate to protect the public.

Contributed materials and services

APEGA benefits from donated services in the form of volunteer time for various committees that are integral to fulfilling APEGA's mandate. Due to the uncertainty of measurement, contributed materials and services are not recognized in the financial statements.

Foreign currency translation

Revenues and expenses have been translated at the monthly average rates of exchange during the year. Foreign exchange gains and losses are included in the statement of operations.

Use of estimates and key judgments

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. The most significant estimates made by management include the allowance for doubtful accounts, the estimated useful lives of tangible capital and intangible assets and assumptions used in the valuation of pension benefit obligations. Actual results could differ materially from those estimates.

Managing capital

APEGA defines its capital as the amount included in its net asset balances. APEGA's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to fulfill its mandate as described in note 1. While there are no external restrictions on any of the net assets, Council has appropriated certain of the funds for specific purposes as described in reserves. Management continues to have a reasonable expectation that APEGA has sufficient resources to achieve its mandate.

3 Tangible capital assets

		2022		2021
	Cost $	Accumulated amortization $	Net $	Net $
Computer hardware	2,237	1,723	**514**	601
Leasehold improvements	8,614	5,816	**2,798**	2,370
Audio/visual equipment	716	355	**361**	110
Furniture and equipment	1,601	877	**724**	458
	13,168	8,771	**4,397**	3,539

(in thousands of dollars)

Leasehold improvements include amounts incurred as work-in-progress of $4

4 Intangible capital assets

	2022			2021
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**	**Net** **$**
Computer software	3,835	2,381	**1,454**	1,656
Membership database	5,462	1,440	**4,022**	4,942
Learning Management	103	0	**103**	0
	9,400	3,821	**5,579**	6,598

Computer software and learning management includes amounts incurred as work-in-progress of $368.

5 Investments

Investments consist funds comprised of fixed income and equity-based instruments. The investment portfolio, managed by a third-party investment manager, is subject to an investment policy set by Council. Fixed income investments funds, consisting of federal, provincial, and corporate bonds, are capable of prompt liquidation. The equity-based investment funds are comprised of equities that are widely held, diversified, and are traded on a regular basis at the discretion of the investment manager.

	2022 **$**	**2021** **$**
Fixed income funds	**2,484**	2,811
Mortgage Funds	**5,860**	5,919
Canadian equity funds	**1,897**	2,183
International equity funds	**8,152**	9,147
	18,393	20,060

Fixed income securities (mortgage funds) comprise a weighted average term of 1.76 years (2021 – 2.03 years) to maturity with a yield of 6.15% (2021 – yield of 2.71%).

(in thousands of dollars)

6 Credit facility

APEGA has available a revolving line of credit with Royal Bank of Canada (RBC). The total credit limit available is $2,000 and amounts are repayable on demand. The facility is secured by APEGA assets and bears interest at Prime + 0.5%. There was no balance outstanding as at December 31, 2022 (2021 – $nil).

7 Pension plan

a) Defined benefit pension plan

	2022 $	2021 $
Defined benefit pension plan surplus		
Plan assets at fair value	**16,792**	22,908
Accrued benefit obligations	**(16,690)**	(17,929)
	102	4,979

Contributions to the plan during the year by APEGA were $346 (2021 – $417) and by employees were $98 (2021 – $107). Benefit/termination payments from the plan during the year were $2,600 (2021 – $708).

The significant actuarial assumptions adopted in measuring APEGA's accrued benefit obligation and pension benefit costs include an annual discount rate of 5.25 % (2021 – 5.25%), an annual rate of return on plan assets of 5.25 % (2021 – 5.25%), an annual rate of salary increase of 3.5% (2021 – 3.5%) and an annual inflation rate of 2.5% (2021 – 2.5%).

The most recent actuarial valuation of the plan for funding purposes was performed as at December 31, 2019.

b) Defined Contribution pension plan

Total defined contribution plan expense for the year was $774 (2021 – $705).

8 Commitments and contingencies

a) Commitments

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

	$
2023	2,307
2024	2,781

(in thousands of dollars)

2025	478
2026	478
2027	492
Thereafter	3,061
	9,597

b) Contingencies

From time to time, legal claims may be pending against APEGA in the normal course of operations. Management is of the opinion that any pending litigation will not have a material adverse impact on APEGA's financial position or the results of its operations.

9 Financial instruments

APEGA is exposed to various financial risks through transactions in financial instruments. The fair value of financial instruments carried at amortized cost approximates their carrying amounts due to the short-term maturity of these instruments.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. APEGA is exposed to credit risk from accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. Management has established an allowance for doubtful accounts of $428 (2021- $196). APEGA has a significant number of members, which minimizes concentration of credit risk. During 2021 and 2022, APEGA's exposure to credit risk increased due to the special considerations and potential effects of COVID-19. APEGA considered its experience during the government restrictions and in the past economic downturns in assessing the credit risk associated with amounts due and concluded that there was not a significant impact on the collectability of receivables.

APEGA's investment in funds consisting of bonds and interest accrued thereon is primarily with federal and provincial governments, with a portion allocated to investment-grade corporate bonds concentrated in Canada.

A portion of the assets held in the pension plan is exposed to credit risk, similar to the risks on APEGA's bond portfolio. In the event of loss in the pension plan, APEGA would be obligated to fund any deficiency that may arise. The pension fund invests in a mix of government and investment-grade corporate bonds.

Cash and cash equivalents are maintained with a Schedule I financial institution. There has been no change to credit risk from the prior year.

Market and other price risk

APEGA's investment in funds consisting of equity interests are primarily focused on the Canadian public market and are subject to fluctuations due to changes in market prices of individual securities, general market and

(in thousands of dollars)

industry trends, changes in interest rates, creditworthiness, and foreign exchange rates. APEGA is also exposed to interest rate risk through its holdings funds containing bonds. Market and other price risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The COVID-19 pandemic and other word events have increased market risk and may continue to create volatility in capital markets.

A portion of the assets held in the pension plan is exposed to market and other price risk, similar to the risks on APEGA's investment portfolio. In the event of loss in the pension plan, APEGA would be obligated to fund any deficiency that may arise. The pension fund invests in a mix of large market entities or funds regularly traded on the exchanges.

There has been no change to these risks from the prior year.

Liquidity risk

APEGA is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The investments may create liquidity risk if APEGA is required to sell at a time when the market for the investments is unfavourable. COVID-19 and other world events have increased uncertainty and may adversely impact APEGA's cash flows, the value of investments, and liquidity. If there are short-term cash flow deficiencies, APEGA will access its short term and long terms investments and line of credit to fund those shortages (note 6).

Currency risk

Currency risk is the risk to APEGA's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of those rates. APEGA is exposed to foreign currency exchange risk on cash and investments held in US dollars. APEGA does not use derivative instruments to reduce its exposure to foreign currency risk. Based on the volume and amount of the transaction in US dollars during 2022, the currency risk exposure for APEGA is assessed as low.

10 Comparative figures

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