

Consulting Engineers of Ontario

Financial Statements

March 31, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF CONSULTING ENGINEERS OF ONTARIO

Opinion

I have audited the accompanying financial statements of Consulting Engineers of Ontario, which comprise the statement of financial position as at March 31, 2020 and statement of operations and 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Consulting Engineers of Ontario as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.



Denis Paganelli, CPA, CA
Licensed Public Accountant

June 18, 2020
Toronto, Canada

Consulting Engineers of Ontario

Statement of Financial Position

March 31, 2020

	2020	2019
Assets		
Current assets:		
Cash	\$ 178,109	\$ 89,730
Short-term investments (note 4)	156,915	—
Accounts receivable	24,250	42,838
HST receivable	7,513	9,971
Prepaid expenses	16,047	16,455
	382,834	158,994
Investments (note 4)	591,160	784,503
Capital assets (note 3)	24,816	34,556
	\$ 998,810	\$ 978,053
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,418	\$ 39,112
Deferred revenue	20,325	50,845
	30,743	89,957
Fund balances		
Invested in capital assets	24,816	34,556
Board restricted	194,470	194,470
Unrestricted Operating	748,781	659,070
	968,067	888,096
	\$ 998,810	\$ 978,053

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

Consulting Engineers of Ontario

Statement of Changes in Net Assets

Year ended March 31, 2020

	2020				2019
	Board Restricted	Invested in Capital Assets	Unrestricted Operating	Total	Total
Fund balance, beginning of year	\$ 194,470	\$ 34,556	\$ 659,070	\$ 888,096	\$ 892,438
Net revenue (expense) for the year	–	(11,034)	91,005	79,971	(4,342)
Investment in capital assets	–	1,294	(1,294)	–	–
Interfund transfers (note 9)	–	–	–	–	–
Fund balance, end of year	\$ 194,470	\$ 24,816	\$ 748,781	\$ 968,067	\$ 888,096

See accompanying notes to financial statements.

Consulting Engineers of Ontario

Statement of Operations

Year ended March 31, 2020

	2020	2019
Revenue		
Membership fees	\$ 1,481,658	\$ 1,285,988
Programs (note 6)	379,810	346,319
Events (note 5)	47,755	42,935
Sponsorship revenue	40,000	76,750
Investment income	21,954	22,502
Chapters	10,250	9,868
Sundry	—	1,500
	1,981,427	1,785,862
Expenses		
Salaries and benefits	730,870	700,059
Members' dues remittance to The Association of Consulting Engineering Companies - Canada	603,322	504,500
Programs (note 6)	187,563	164,046
Administrative - Schedule	161,471	174,857
Events (note 5)	83,221	82,841
Special projects (note 10)	59,697	10,000
Public relations/government relations (note 7)	52,079	114,339
Chapters	14,796	26,433
Volunteer expenses	8,437	13,129
Strategic Initiative Fund expenses	—	—
	1,901,456	1,790,204
Net revenue (expense) for the year	\$ 79,971	\$ (4,342)

See accompanying notes to financial statements.

Consulting Engineers of Ontario

Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019
Cash provided by (used in):		
Operating activities		
Net revenue (expense) for the year	\$ 79,971	\$ (4,342)
Adjustment for item not affecting cash		
Amortization of capital assets	11,034	10,727
Investment income retained in investments	(22,049)	(22,375)
	68,956	(15,990)
Net change in non-cash working capital balances related to operations		
Accounts receivable	18,588	(11,605)
HST receivable	2,458	(5,823)
Prepaid expenses	408	7,007
Accounts payable and accrued liabilities	(28,694)	(58,087)
Deferred revenue	(30,520)	(22,676)
	31,196	(107,174)
Investing activities		
Investments redeemed and transferred to bank	158,720	213,660
Funds transferred to investments	(100,370)	(105,000)
	58,350	108,660
Financing activities		
Purchase of capital assets	(1,294)	(10,650)
	(1,294)	(10,650)
Increase (decrease) in cash during the year	88,252	(9,164)
Cash and cash equivalents, beginning of year	89,857	99,021
Cash and cash equivalents, end of year	\$ 178,109	\$ 89,857

See accompanying notes to financial statements.

Consulting Engineers of Ontario

Notes to financial statements

March 31, 2020

1. Status and Purpose of the Organization

Consulting Engineers of Ontario ("CEO") is a not-for-profit organization representing the business and professional interests of consulting engineering companies in Ontario. CEO promotes the significant contribution of the consulting engineering sector to social, economic and environmental quality of life in Ontario. CEO is incorporated without share capital under the laws of Ontario and is classified as a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income tax.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

(a) Revenue recognition

CEO follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

Membership fees are recognized as revenue in the year to which they relate. Membership fees received in advance of the year to which they relate are recorded as deferred revenue.

Investment income is recognized on an accrual basis. Interest on fixed income securities is recognized over the term of the investments based on the market value of the fixed income securities at each year-end.

Program and event revenues are recognized as revenue when the program or event activity occurs.

Sponsorship revenue is recognized as revenue in the year that the sponsorship relates to.

(b) Capital assets and amortization

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Leasehold improvements are amortized over the lease term. Other capital assets are amortized using the declining balance method over their estimated useful lives at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%
Database	30%

(c) Financial Instruments measurement

CEO initially measures its financial assets and liabilities at fair value. CEO subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

Consulting Engineers of Ontario

Notes to financial statements

March 31, 2020

2. Significant accounting policies (continued)

(d) Cash and cash equivalents

CEO's policy is to present bank balances, bank indebtedness and cash held within its investment account under cash and cash equivalents.

3. Capital assets

			2020	2019
	Cost	Accumulated Amortization	Net	Net
Furniture and fixtures	\$ 43,618	\$ 32,958	\$ 10,660	\$ 13,326
Computer equipment	35,360	26,585	8,775	11,243
Leasehold improvements	27,910	22,529	5,381	9,987
	\$ 106,888	\$ 82,072	\$ 24,816	\$ 34,556

4. Investments

	2020	2019
Corporate bonds maturing between March 2021 and April 2023 with interest rates between 2.00% and 3.45% per annum	\$ 748,075	\$ 784,503
	748,075	784,503
Less: maturing in the next fiscal year	(156,915)	—
	\$ 591,160	\$ 784,503

5. Events revenue and expenses

Details of events revenues are as follows:

	2020	2019
Awards gala revenue	\$ 32,695	\$ 25,070
Annual general meeting and Golf tournament	15,060	17,865
	\$ 47,755	\$ 42,935

Details of event expenses are as follows:

	2020	2019
Awards gala expense	\$ 64,197	\$ 61,623
Annual general meeting and Golf tournament	19,024	21,218
	\$ 83,221	\$ 82,841

Consulting Engineers of Ontario

Notes to financial statements

March 31, 2020

6. Program revenue and expenses

Details of program revenues are as follows:

	2020	2019
Education and professional development	\$ 335,230	\$ 303,199
Affinity programs	32,812	30,638
Other	11,768	12,482
	\$ 379,810	\$ 346,319

Details of program expenses are as follows:

	2020	2019
Education and professional development	\$171,690	\$ 156,065
Other	15,873	7,981
	\$187,563	\$ 164,046

7. Public relations/government relations expense

Details of public relations/government relations expense is as follows:

	2020	2019
External sponsorships	\$ 7,000	\$ 7,000
Direct advocacy	20,439	9,792
Queen's Park Day	8,143	3,986
Market capacity study	—	25,000
Public and media relations	—	36,000
Research	—	9,000
Marketing and communications	11,415	11,962
Legal and sundry	5,082	11,599
	\$ 52,079	\$ 114,339

8. Commitments

CEO has entered into a lease for the rental of its office space to April 30, 2022. Minimum annual payments required under the terms of the lease are as follows:

2021	\$48,060
2022	\$48,060
2023	\$4,005

9. Interfund transfers and Board restricted funds

CEO has two board restricted funds. The Staff Salary Contingency Fund is to fund staff short-term illness and/or disability and has a balance of \$83,000 (2019 - \$83,000). The Strategic Initiatives Fund deals with the funding requirements needed to have CEO elevate the value of consulting engineers to its members, the general public and the government and has a balance of \$111,470 (2019- \$111,470).

During the year a transfer of \$nil (2019 - \$nil) was made to the Strategic Initiatives Fund and \$nil (2019-\$nil) was made to the Staff Salary Contingency Fund from the Unrestricted Operating Fund.

Denis Paganelli, CPA, CA

Consulting Engineers of Ontario

Notes to financial statements

March 31, 2020

10. Special projects

Details of special project expense is as follows:

	2020	2019
Strategic Planning exercise including market research, facilitation and event	\$ 45,947	\$ –
Sponsorship audit and road map	13,750	10,000
	<u>\$ 59,697</u>	<u>\$ 10,000</u>

11. Financial instruments

CEO is exposed to various risks through its financial instruments. The following analysis presents CEO's exposures to significant risk at the reporting date, i.e. March 31, 2020.

Credit risk

CEO is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. CEO is subject to credit risk on its accounts receivable, short-term investments and investments. The risk has not changed from the prior year.

Interest rate risk

CEO is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its fixed interest rate financial instruments. This risk has not changed from the prior year.

Consulting Engineers of Ontario

Schedule of Administrative expenses

March 31, 2020

	2020	2019
Occupancy	\$ 52,680	\$ 52,680
Travel	16,453	14,990
Computer support	15,126	14,664
Consulting and staff training	12,599	21,019
Telephone	12,183	10,231
Bank/credit card charges	11,697	11,797
Amortization of capital assets	11,034	10,727
Recruitment	6,990	—
Photocopy	5,884	5,544
Audit and accounting	5,700	5,500
Office supplies	3,199	9,726
Insurance	2,481	2,349
Website/database	2,469	2,786
Computer software/hardware	1,452	4,128
Postage	599	2,798
Courier	411	316
Printing	403	455
Legal	111	5,147
	\$ 161,471	\$ 174,857

See accompanying notes to financial statements.