

APPROVED

By Board of Directors on 2020-06-18
Via Zoom Meeting 812 2627 8418

**Ontario Professional Engineers
Foundation For Education**

Financial Statements

December 31, 2019

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Ontario Professional Engineers Foundation For Education

Financial Statements

Year ended December 31, 2019

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June 19, 2020

Independent Auditors' Report

To the Board of Directors of Ontario Professional Engineers Foundation For Education

Qualified Opinion

We have audited the accompanying financial statements of Ontario Professional Engineers Foundation For Education, which comprise the statement of financial position as at December 31, 2019 and the statements of revenue and expenditures 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 our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Professional Engineers Foundation For Education as at December 31, 2019, 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 qualified opinion

In common with many not-for-profit organizations, Ontario Professional Engineers Foundation For Education derives revenue from public donations, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the audit. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Ontario Professional Engineers Foundation For Education. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, assets as at December 31, 2019 and 2018, and net assets as at December 31 for both the 2019 and 2018 year-ends. Our conclusion on the financial statements as at and for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Ontario Professional Engineers Foundation For Education in accordance with the ethical requirements that are relevant to our audit of 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 qualified 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 Ontario Professional Engineers Foundation For Education'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 Ontario Professional Engineers Foundation For Education or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ontario Professional Engineers Foundation For Education's financial reporting process.

Roger Chaplin CPA, CA LPA MA [Oxon] Gail Bergman CPA, CA LPA B Comm

Auditors' 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 auditors' 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 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 Ontario Professional Engineers Foundation For Education'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 Ontario Professional Engineers Foundation For Education's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to 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 auditors' report. However, future events or conditions may cause the Ontario Professional Engineers Foundation For Education to cease to continue as a going concern.

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.

Chaplin & Co.

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

**Ontario Professional Engineers Foundation
For Education**

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By Board of Directors on 2020-06-18
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Statement of Financial Position

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| | December 31 | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Marketable Securities at fair value | \$ 2,194,197 | \$ 1,955,340 |
| Cash | 1,076,486 | 269,768 |
| HST Rebate receivable | 1,846 | 1,912 |
| Due from the Association of Professional Engineers of Ontario | 7,890 | 6,046 |
| Prepaid expenses | 595 | 483 |
| Accounts receivable | 5,253 | - |
| | <u>\$ 3,286,267</u> | <u>\$ 2,233,549</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 24,076 | \$ 11,785 |
| Net assets | | |
| Unrestricted | 3,261,515 | 2,221,088 |
| Internally restricted | 676 | 676 |
| | <u>3,262,191</u> | <u>2,221,764</u> |
| | <u>\$ 3,286,267</u> | <u>\$ 2,233,549</u> |

See accompanying notes

**Approved on behalf of the Board of Directors
of Ontario Professional Engineers Foundation
For Education:**


Director


Director

Statement of Changes in Net Assets

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| | Unrestricted | Internally restricted | Year ended December 31 | |
|---|---------------------|----------------------------------|-------------------------------|---------------------|
| | | | 2019 | 2018 |
| Net assets, beginning of year | \$ 2,221,088 | \$ 676 | \$ 2,221,764 | \$ 2,354,764 |
| Excess of revenues over expenses (expenses over revenue) | 1,040,427 | - | 1,040,427 | (133,000) |
| Net assets, end of year | <u>\$ 3,261,515</u> | <u>\$ 676</u> | <u>\$ 3,262,191</u> | <u>\$ 2,221,764</u> |

See accompanying notes

Ontario Professional Engineers Foundation For Education

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Statement of Revenues and Expenditures

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| | Notes | Year ended December 31 | |
|--|-------|------------------------|---------------------|
| | | 2019 | 2018 |
| Revenue | | | |
| Investment income (loss) | | \$ 294,157 | \$ (17,391) |
| Membership revenue | | 112,355 | 103,183 |
| Bequest | | 848,536 | - |
| Grant | | - | 11,217 |
| PEO Xmas donation | | - | 2,000 |
| Corporate donations | | - | 480 |
| | | <u>1,255,048</u> | <u>99,489</u> |
| Expenses | | | |
| Annual Undergraduate Scholarships | 3 | 99,000 | 99,000 |
| Bank charges | | 2,333 | 2,166 |
| Benevolent fund | | - | 3,120 |
| Entrance scholarships | 4 | 42,000 | 42,000 |
| EWB leaders for future scholarship | | 2,000 | 2,000 |
| Fundraising consulting | | 483 | 6,985 |
| Investment management fee | | 6,528 | 6,412 |
| Marketing | | 2,043 | 6,584 |
| Medals and certificates | | 1,532 | 3,588 |
| Meetings expenses | | - | 738 |
| PEO service charges | | 2,879 | 2,418 |
| Postage, stationary and others | | 2,666 | 17,155 |
| Professional fees | | 12,236 | 7,978 |
| Secretarial services (Administration) | 2 | 30,113 | 19,752 |
| Secretarial service and presentation (Scholarships) | 2 | 10,038 | 6,714 |
| Travel scholarships and awards | | 28 | 54 |
| Webhosting and related expenses | | 742 | 5,825 |
| | | <u>214,621</u> | <u>232,489</u> |
| Excess of revenues over expenses (expenses over revenue) | | <u>\$ 1,040,427</u> | <u>\$ (133,000)</u> |

See accompanying notes

Statement of Cash Flows

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| | Year ended December 31 | |
|---|-------------------------------|-------------------|
| | 2019 | 2018 |
| Net cash provided by (used in) operations | | |
| Excess of revenue over expenses (expenses over revenue) | \$ 1,040,427 | \$ (133,000) |
| Changes in non-cash working capital | | |
| HST Rebate receivable | 67 | 1,529 |
| Accounts payable and accrued liabilities | 12,290 | 4,783 |
| Due from the Association of Professional Engineers of Ontario | (1,844) | 1,209 |
| Prepaid expenses | (112) | (483) |
| Accounts receivable | (5,253) | - |
| | <u>5,148</u> | <u>7,038</u> |
| | <u>1,045,575</u> | <u>(125,962)</u> |
| Investing activity | | |
| Marketable securities at fair value | <u>(238,857)</u> | <u>88,916</u> |
| Increase (decrease) in cash during the year | 806,718 | (37,046) |
| Cash, beginning of year | <u>269,768</u> | <u>306,814</u> |
| Cash, end of year | <u>\$ 1,076,486</u> | <u>\$ 269,768</u> |
| Cash consists of: | | |
| Cash | \$ 901,625 | \$ 62,329 |
| Short term investments | <u>174,861</u> | <u>207,439</u> |
| | <u>\$ 1,076,486</u> | <u>\$ 269,768</u> |

See accompanying notes

Ontario Professional Engineers Foundation For Education (the "foundation") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. It is a registered charity the foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

Its primary purpose is to provide scholarships to engineering students in Ontario Universities that will encourage them to pursue careers in the profession. The foundation also provides temporary financial assistance to professional engineers and their families in extenuating circumstances.

1. Summary of accounting policies

Basis of presentation

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund accounting

These financial statements have been prepared on a restricted fund basis.

Unrestricted assets

The terms of the unrestricted assets permit the Directors of the foundation to grant or distribute from time-to-time all or any part of the income and capital for the relief of needy engineers or their immediate family. These expenses are authorized through an approved budget.

Internally restricted assets

These represent donations to the foundation in the memory of Gordon Sterling. It was agreed by management that these assets will be made available by the foundation on request by the Association of Professional Engineers of Ontario to be used for the payment to the recipient of the Sterling Award. It was decided by management that these assets are held in trust by the foundation to be used for the payment of Sterling Award.

Revenue recognition

The foundation 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 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed services

The foundation is dependent on the work and services provided by volunteers to fulfill its mission. These donated services (including free provision of office space and service performed by the treasurer) are not recorded due to difficulty in determining their fair value.

Distribution of scholarships

In order to more closely align the distribution of undergraduate and entrance scholarships given to universities with the period in time that engineering students received their awards, the scholarships will continue to be distributed to universities in August or September of any given year.

1. Summary of accounting policies (continued)

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Allocation of expenses

The foundation allocates costs for secretarial services to administration expenses and scholarship expenses based on the time spent on each of these functions.

Use of estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Such estimates include accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Measurement of financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments including cash accounts receivable, HST rebate receivable and account payable and accrued liabilities are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

2. Allocation of expenses

Secretarial expenses have been allocated as follows:

| | 2019 | | 2018 | |
|-------------------------|-------|-----------|------|-----------|
| Administrative expenses | 75 % | \$ 30,113 | 75% | \$ 19,752 |
| Scholarships and awards | 25 % | 10,038 | 25% | 6,714 |
| | 100 % | \$ 40,151 | 100% | \$ 26,466 |

3. Annual undergraduate scholarships

| | 2019 | 2018 |
|---|------------------|------------------|
| Carlton University | \$ 9,000 | \$ 9,000 |
| Lakehead University | 3,000 | 3,000 |
| Laurentian University | 3,000 | 3,000 |
| McMaster University | 12,000 | 12,000 |
| Royal Military College | 3,000 | 3,000 |
| Ryerson Polytechnic University | 9,000 | 9,000 |
| University of Guelph | 6,000 | 6,000 |
| University of Ontario Institute of Technology | 6,000 | 6,000 |
| University of Ottawa | 9,000 | 9,000 |
| University of Toronto | 12,000 | 12,000 |
| University of Waterloo | 12,000 | 12,000 |
| University of Western Ontario | 6,000 | 6,000 |
| University of Windsor | 6,000 | 6,000 |
| York University | 3,000 | 3,000 |
| | <u>\$ 99,000</u> | <u>\$ 99,000</u> |

4. Schedule of entrance scholarships

| | 2019 | 2018 |
|---|------------------|------------------|
| Carlton University | \$ 3,000 | \$ 3,000 |
| Lakehead University | 3,000 | 3,000 |
| Laurentian University | 3,000 | 3,000 |
| McMaster University | 3,000 | 3,000 |
| Royal Military College | 3,000 | 3,000 |
| Ryerson Polytechnic University | 3,000 | 3,000 |
| University of Guelph | 3,000 | 3,000 |
| University of Ontario Institute of Technology | 3,000 | 3,000 |
| University of Ottawa | 3,000 | 3,000 |
| University of Toronto | 3,000 | 3,000 |
| University of Waterloo | 3,000 | 3,000 |
| University of Western Ontario | 3,000 | 3,000 |
| University of Windsor | 3,000 | 3,000 |
| York University | 3,000 | 3,000 |
| | <u>\$ 42,000</u> | <u>\$ 42,000</u> |

5. Subsequent events

Subsequent to the year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact.

As a result, economic uncertainties have arisen which may, directly or indirectly, materially and adversely affect the foundation. At this time, these developments present uncertainty over any potential impacts on future cash flows, changes to assets or liabilities, or future operations. An estimate of the financial effect that any such impacts may have on the foundation is not practicable at this time.

6. Financial risks

The foundation is exposed to various risks through its financial instruments. The following analysis provides information about the foundation's risk exposure and concentration as of December 31, 2019.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The foundation manages its credit risk by keeping its cash with a credit worthy financial institution. There is no change in the risk from 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The foundation is not exposed to any significant liquidity risk. The foundation monitors its cash flows from operations and investments to meet this risk. There is no change in the risk from 2018.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The foundation is exposed to this risk on account of investment in international equities. The foundation addresses this risk by using the services of an investment manager. There is no change in the risk from 2018.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The foundation manages this risk by using an investment manager to monitor and manage these investments. There is no change in the risk from 2018.

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 foundation manages this risk by using the services of an investment manager. There is no change in the risk from 2018.