

# TREASURER'S REPORT AND FINANCIAL STATEMENT ANALYSIS

DECEMBER 31, 2009

In 2009, PEO generated an excess of revenues over expenses of \$209,835 from operations, which may be largely attributed to growth in P.Eng. membership and in application, examination and registration revenues. In addition, PEO's investment portfolio yielded \$531,649 of income. The results also include a positive contribution of \$107,995 from leasing operations at PEO's headquarters building.

On March 11, 2009, the Association of Professional Engineers of Ontario purchased a building at 40 Sheppard Avenue West in Toronto to be used as its head office. The building cost \$22,575,000 and PEO secured financing of \$15,100,000. The first mortgage of \$14,100,000 is a 10-year loan with an accelerated 15-year amortization at the interest rate of 4.95 per cent. PEO moved all of its departments into the building on Monday, December 21, 2009.

For this fiscal year, total revenues of \$20,355,802 and expenses of \$20,145,967 were incurred. Revenue from application, registration and other fees increased by 2.6 per cent. The new balance in the operating reserve is \$12,904,261.

## **COST MANAGEMENT**

Total expenditures for 2009 were \$17,945,230 (excluding 40 Sheppard Avenue West), which is 0.7 per cent lower than budget. The reasons for the major expenditure variances versus the annual budget are noted below:

- Full-time staff salaries and benefits were \$79,388 lower than budget;
- Contractors and temporary staff costs were \$96,541 over budget due to later than forecast transfers to regular full-time and other staffing needs;
- Costs for purchased services were \$103,759 lower than expected;
- Legal and tribunal expenses were \$22,665 higher than budget;
- Volunteer business expenses were \$39,201 lower than expected;
- Chapters expenses were \$48,303 lower than budget;
- Expenses for consultants were \$31,844 higher than projected;
- Computer and telephone expenses were \$213,042 higher than estimated;
- Transaction fees and commission were \$58,372 lower than budget; and
- Training and development costs were \$117,826 lower than expected.

## **2008 BUDGET VARIANCES BY BUSINESS UNIT**

### **Administrative Services**

For 2009, expenditures were \$69,144 or 1.0 per cent below budget. This was due primarily to favourable spending on postage and courier costs (\$49,840) and lower fees for investment management of PEO's portfolio (\$20,000).

### **Communications and Chapters**

For 2009, expenditures were \$56,146 or 1.8 per cent below budget due to lower than budgeted consultant and registration costs for the government communication program (\$31,689) and below-budget spending on the annual general meeting (\$26,497) and Order of Honour (\$18,429). This was partially offset by higher advertising costs (\$24,361).

### **Executive**

For 2009, expenditures were \$107,919 or 15.1 per cent above budget due to the costs of representing PEO at various functions (\$56,247), the provincial AGMs (\$9,204), council meetings (\$4,202), grant and award distribution ceremonies (\$6,960), Engineers Canada (\$14,064), and management team meetings (\$17,524).

### **Governance and Culture**

For 2009, expenditures were \$42,008 or 3.1 per cent under budget. This was due to favourable spending versus budget on committee (\$60,516) and training and development costs (\$56,809). Offsets were above budget spending on staff contingency (\$35,039), increased staffing (\$55,925), and the council workshop (\$20,962).

### **Information and Technology Services**

For 2009, expenditures were \$239,756 or 17.6 per cent over budget due to the inadvertent omission of software maintenance contracts from the budget (\$96,827); Internet and backup over-charge for outsourced operations (\$24,941); higher than projected PEO network infrastructure charges (\$58,000); and the use of a contract resource on the Certificate of Authorization business name clean-up project (\$19,121).

### **Legal Services**

For 2009, expenditures were \$161,463 or 30.1 per cent over budget, primarily due to reorganization, which includes the transfer of discipline prosecution expenses (\$126,338) and the transfer of an employee during the year (\$49,254).

# TREASURER'S REPORT

## Licensing and Registration

For 2009, expenditures were \$228,069 or 5.9 per cent lower than budget. Outsourcing and salaries and benefits costs were \$84,557 lower than expected. In addition, there was below budget spending in registration audit fees (\$36,111) and internship (\$43,151).

In 2009, PEO licensed 2331 new professional engineers. In addition, PEO received 3067 paid applications and 1046 free applications under council's EIT Financial Credit Program.

## Regulatory Compliance

For 2009, expenditures were \$36,331 or 2.4 per cent under budget. There were lower than expected staffing and prosecution costs in enforcement (\$106,913) that were offset somewhat by higher than budgeted hearing-related costs within discipline (\$87,227).

## Standards and Tribunals

For 2009, the Standards and Tribunals operations were favourable by \$330,511 or 28.2 per cent. This was primarily due to lower than approved staffing

levels, resulting in a saving of \$195,538 in employee salaries and benefits. There was unused budget in hearing costs and post-hearing activities in the registration area of tribunal operations (\$77,858) due to fewer scheduled hearings in 2009.

## Council-directed initiatives

For 2009, the costs for the projects approved by council amounted to \$804,418. This figure includes \$72,550 for the Building Development Committee, \$143,290 for sponsorship of the Engineering Summit, and \$466,295 for the Ontario Centre for Engineering and Public Policy.

Staff and volunteers contributed greatly in carrying out these council-directed initiatives. In 2009, a total of \$79,302 in staff salaries and benefits costs was directly attributable to these initiatives.

## CONCLUSION

The association has managed its affairs responsibly and leaves 2009 with an enhanced balance sheet and a healthy operating reserve to carry out its regulatory mandate.  $\Sigma$

2009 DEPARTMENTAL COSTS (\$000s)

