

# [ FINANCIAL STATEMENTS ]

## TO THE MEMBERS OF THE ASSOCIATION OF PROFESSIONAL ENGINEERS OF ONTARIO

We have audited the accompanying financial statements of the Association of Professional Engineers of Ontario, which comprise the balance sheet as at December 31, 2015, and the statements of revenue, expenses and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility 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 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.

### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association of Professional Engineers of Ontario as at December 31, 2015, 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.

**Deloitte.**

Chartered Professional Accountants  
Licensed Public Accountants  
March 11, 2016

# [ FINANCIAL STATEMENTS ]

## STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS year ended December 31, 2015

|                 |   | 2015               | 2014              |
|-----------------|---|--------------------|-------------------|
| <b>REVENUE</b>  | P.Eng. revenue  | \$ 15,134,271      | \$ 14,840,457     |
|                 | Application, registration, examination and other fees   | 6,064,234          | 5,884,172         |
|                 | Building operations (Note 4)                            | 2,127,016          | 2,083,065         |
|                 | Advertising income                                      | 292,679            | 355,572           |
|                 | Investment income                                       | 97,219             | 219,885           |
|                 |   | <b>23,715,419</b>  | <b>23,383,151</b> |
| <b>EXPENSES</b> | Staff salaries and benefits/retiree and future benefits | 10,708,685         | 10,303,016        |
|                 | Building operations (Note 4)                            | 2,444,678          | 2,362,885         |
|                 | Purchased services                                      | 1,352,825          | 1,090,528         |
|                 | Engineers Canada  | 938,579            | 901,420           |
|                 | Amortization  | 924,528            | 978,437           |
|                 | Chapters (Note 13)                                      | 793,066            | 722,121           |
|                 | Volunteer expenses                                      | 786,767            | 761,264           |
|                 | Occupancy costs (Note 4)                                | 765,874            | 732,760           |
|                 | Computers and telephone                                 | 715,813            | 773,951           |
|                 | Legal (corporate, prosecution and tribunal)             | 567,744            | 649,465           |
|                 | Transaction fees  | 508,253            | 508,034           |
|                 | Contract staff  | 496,237            | 666,368           |
|                 | Postage and courier                                     | 475,676            | 424,151           |
|                 | Consultants   | 362,605            | 240,431           |
|                 | Recognition, grants and awards                          | 162,239            | 187,667           |
|                 | Professional development                                | 155,251            | 109,170           |
|                 | Office supplies   | 131,955            | 121,723           |
|                 | Printing  | 128,446            | 161,002           |
|                 | Insurance   | 105,784            | 97,304            |
|                 | Staff expenses  | 104,307            | 91,355            |
| Advertising     | 83,942  | 90,348             |                   |
|                 |   | <b>22,713,254</b>  | <b>21,973,400</b> |
|                 | Excess of revenue over expenses before the undernoted   | <b>1,002,165</b>   | <b>1,409,751</b>  |
|                 | Council discretionary reserve expenses (Note 8)         | <b>70,989</b>      | <b>60,515</b>     |
|                 | Excess of revenue over expenses                         | <b>931,176</b>     | <b>1,349,236</b>  |
|                 | Remeasurement and other items                           | <b>(2,136,510)</b> | <b>390,900</b>    |
|                 | <b>Net assets, beginning of year</b>                    | <b>15,531,477</b>  | <b>13,791,341</b> |
|                 | <b>Net assets, end of year</b>                          | <b>14,326,143</b>  | <b>15,531,477</b> |

## BALANCE SHEET

as at December 31, 2015

|             |   | 2015   | 2014              |                   |
|-------------|---|--|-------------------|-------------------|
| ASSETS      | CURRENT                                 | Cash in interest-bearing accounts                  | \$ 1,851,432      | \$ 1,739,886      |
|             |   | Marketable securities at fair value                | 6,403,767         | 6,331,704         |
|             |   | Accounts receivable                                | 527,314           | 498,159           |
|             |   | Prepaid expenses and deposits                      | 225,778           | 204,332           |
|             |   | Other assets                                       | 390,279           | 443,952           |
|             |   |  | <b>9,398,570</b>  | <b>9,218,033</b>  |
|             | Capital assets (Note 3)                 | 37,711,302   | 37,062,729        |                   |
|             | <b>TOTAL ASSETS</b>                     | <b>47,109,872</b>                                  | <b>46,280,762</b> |                   |
| LIABILITIES | CURRENT                                 | Accounts payable and accrued liabilities (Note 15) | 2,174,710         | 1,385,054         |
|             |   | Fees in advance and deposits                       | 9,067,119         | 8,843,131         |
|             |   | Current portion of long-term debt (Note 5)         | 928,000           | 901,000           |
|             |   |  | <b>12,169,829</b> | <b>11,129,185</b> |
|             | LONG TERM                               | Long-term debt (Note 5)                            | 7,539,000         | 8,467,000         |
|             |   | Employee future benefits (Note 6)                  | 13,074,900        | 11,153,100        |
|             | <b>TOTAL LIABILITIES</b>                | <b>32,783,729</b>                                  | <b>30,749,285</b> |                   |
|             | Net assets (Note 7)                     | 14,326,143   | 15,531,477        |                   |
|             | <b>Total liabilities and net assets</b> | <b>47,109,872</b>                                  | <b>46,280,762</b> |                   |

Approved by the board

## STATEMENT OF CASH FLOWS

year ended December 31, 2015

|           |  | 2015               | 2014               |
|-----------|--|--------------------|--------------------|
| OPERATING | Excess of revenue over expenses                      | \$ 931,176         | \$ 1,349,236       |
|           | Add (deduct) items not affecting cash                |                    |                    |
|           | Amortization   | 1,798,805          | 1,790,891          |
|           | Amortization—other assets                            | 67,395             | 56,323             |
|           | Employee future benefits expensed                    | 1,274,700          | 1,418,300          |
|           | Change in unrealized losses on marketable securities | 98,181             | (68,450)           |
|           | Loss (gain) on disposal of marketable securities     | (22,636)           | 37,612             |
|           |  | <b>4,147,621</b>   | <b>4,583,912</b>   |
|           | Change in non-cash working capital items (Note 10)   | 963,043            | (502,014)          |
|           |  | <b>5,110,664</b>   | <b>4,081,898</b>   |
| FINANCING | Repayment of mortgage                                | (901,000)          | (878,000)          |
|           | Contributions to employee future benefit plans       | (1,489,410)        | (1,226,500)        |
|           |  | <b>(2,390,410)</b> | <b>(2,104,500)</b> |
| INVESTING | Net change in marketable securities                  | (147,608)          | (950,351)          |
|           | Additions to capital assets                          | (2,447,378)        | (2,124,541)        |
|           | Additions to other assets                            | (13,722)           | (214,863)          |
|           |  | <b>(2,608,708)</b> | <b>(3,289,755)</b> |
|           | Increase (decrease) in cash                          | 111,546            | (1,312,357)        |
|           | Cash, beginning of year                              | 1,739,886          | 3,052,243          |
|           | <b>Cash, end of year</b>                             | <b>1,851,432</b>   | <b>1,739,886</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

## 1. NATURE OF OPERATIONS

The Association of Professional Engineers of Ontario (PEO) was incorporated by an act of the legislature of the Province of Ontario. Its principal activities include regulating the practice of professional engineering, and establishing and maintaining standards of knowledge, skill and ethics among its members in order to protect the public interest. As a not-for-profit professional membership organization it is exempt from tax under section 149(1) of the *Income Tax Act*.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following accounting policies:

### (a) Financial instruments

PEO initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

| Asset/liability                          | Measurement    |
|--|----------------|
| Cash and marketable securities           | Fair value     |
| Accounts receivable                      | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Long-term debt                           | Amortized cost |

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss shall be recognized in the statement of revenue and expenses and changes in net assets for the period.

Transaction costs are expensed as incurred.

### (b) Hedge accounting

PEO entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long-term debt. The policy of PEO is not to enter into interest rate swap agreements for trading or speculative purposes.

The interest rate swap held by PEO is eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair

value of derivative instruments eligible and qualifying for hedge accounting is generally not recognized on the balance sheet. Gains and losses on such instruments are recognized in income in the same period as those of the hedged item.

Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recorded on the accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

PEO may only discontinue hedge accounting when one of the following situations arises:

- (a) The hedged item or the hedging item ceases to exist other than as designated and documented; or
- (b) The critical terms of the hedging item cease to match those of the hedged item, including, but not limited to, when it becomes probable that an interest-bearing asset or liability hedged with an interest rate swap will be prepaid.

When a hedging item ceases to exist, any gain or loss incurred on the termination of the hedging item is recognized as an adjustment of the carrying amount of the hedged item.

When a hedged item ceases to exist, the critical terms of the hedging item cease to match those of the hedged item, or it is no longer probable that an anticipated transaction will occur in the amount designated or within 30 days of the maturity date of the hedging item, any gain or loss is recognized in net income.

### (c) Revenue recognition

Licence fee revenue, excluding the portion related to the building fund, is recognized as income on a monthly basis over the licence period. Building fund revenue is recognized into income at the commencement of the licence period. Other revenues are recognized when the related services are provided.

### (d) Donated services

The association receives substantial donated services from its membership through participation on council and committees and as chapter executives. Donations of services are not recorded in the accounts of the association.

### (e) Employee future benefits

#### *Pension plans*

The cost of PEO's defined benefit pension plans are determined periodically by independent actuaries using the projected benefit method prorated on service. PEO uses the most recently completed actuarial valuation prepared for funding purposes (but not one prepared using a solvency, wind-up, or similar valuation basis) for measuring its defined benefit pension plan obligations. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

#### *Other non-pension plan benefits*

The cost of PEO's non-pension defined benefit plan is determined periodically by independent actuaries. PEO uses an accounting actuarial valuation performed every three years for measuring its non-pension defined benefit plan obligations. The valuation is based on the projected benefit method prorated on service.

For all defined benefit plans PEO recognizes:

- (a) The defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation in the statement of changes in net assets; and
- (b) The cost of the plan for the year.

### (f) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis at the following annual rates.

|   |             |
|---|-------------|
| Building                                    | 2%          |
| Building improvements                       | 5%          |
| Building improvements—common area           | 3.3% to 10% |
| Computer hardware and software              | 33%         |
| Furniture, fixtures and telephone equipment | 10%         |
| Audio visual                                | 20%         |

The association's investment in capital assets is included as part of net assets on the balance sheet.

### (g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include capital assets, accrued liabilities and employee future benefits.

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## 3. CAPITAL ASSETS

|   |                   |                          | 2015              | 2014              |
|---|-------------------|--------------------------|-------------------|-------------------|
|   | Cost              | Accumulated amortization | Net book value    | Net book value    |
|   | \$                | \$                       | \$                | \$                |
| Building                                    | 19,414,668        | 2,642,900                | 16,771,768        | 17,160,060        |
| Building improvements                       | 8,801,805         | 1,929,948                | 6,871,857         | 6,720,281         |
| Building improvements—common area           | 8,729,628         | 1,923,392                | 6,806,236         | 5,024,462         |
| Land  | 4,366,303         | -                        | 4,366,303         | 4,366,303         |
| Computer hardware and software              | 2,402,030         | 2,078,747                | 323,283           | 283,030           |
| Furniture, fixtures and telephone equipment | 1,420,822         | 781,986                  | 638,836           | 733,065           |
| Audio visual                                | 974,252           | 628,967                  | 345,285           | 508,890           |
| Work in progress                            | 1,587,734         | -                        | 1,587,734         | 2,266,638         |
|   | <b>47,697,242</b> | <b>9,985,940</b>         | <b>37,711,302</b> | <b>37,062,729</b> |

## 4. BUILDING OPERATIONS

PEO maintains accounting records for the property located at 40 Sheppard Avenue West, Toronto, ON, as a stand-alone operation for internal purposes. The results of the operation of the building, prior to the elimination of recoveries and expenses related to PEO, are as follows:

|   | 2015             | 2014             |
|---|------------------|------------------|
|   | \$               | \$               |
| Revenue                                   |                  |                  |
| Rental                                    | 748,664          | 802,831          |
| Operating cost recoverable—tenants        | 1,120,249        | 1,045,263        |
| Parking                                   | 130,500          | 136,950          |
| Miscellaneous                             | 127,603          | 98,021           |
|   | <b>2,127,016</b> | <b>2,083,065</b> |
| Operating cost recoverable—PEO            | 708,282          | 720,125          |
| Total revenue                             | <b>2,835,298</b> | <b>2,803,190</b> |
| Recoverable expenses                      |                  |                  |
| Utilities                                 | 516,349          | 493,924          |
| Property taxes                            | 449,510          | 452,923          |
| Amortization                              | 485,984          | 424,161          |
| Payroll                                   | 236,916          | 245,526          |
| Janitorial                                | 204,674          | 219,356          |
| Repairs and maintenance                   | 179,295          | 121,885          |
| Property management and advisory fees     | 82,618           | 80,878           |
| Security                                  | 34,070           | 20,276           |
| Administrative                            | 20,045           | 25,009           |
| Road and ground                           | 18,720           | 32,552           |
| Insurance                                 | 18,691           | 17,674           |
|   | <b>2,246,872</b> | <b>2,134,164</b> |
| Other expenses                            |                  |                  |
| Interest expense on note and loan payable | 441,172          | 484,986          |
| Amortization of building                  | 388,293          | 388,293          |
| Amortization of deferred costs            | 61,172           | 56,323           |
| Other non-recoverable expenses            | 15,451           | 19,244           |
|   | <b>906,088</b>   | <b>948,846</b>   |
|   | <b>3,152,960</b> | <b>3,083,010</b> |
| Excess of revenue over expenses           | <b>(317,662)</b> | <b>(279,820)</b> |

For purposes of the statement of revenue, expenses and changes in net assets, the operating cost reimbursements from PEO have been eliminated. The portion of costs allocated to PEO is reallocated from building operations and is included in occupancy costs.

|                             | 2015             | 2014             |
|-----------------------------|------------------|------------------|
|                             | \$               | \$               |
| Building revenue per above  | 2,835,298        | 2,803,190        |
| Eliminated PEO portion      | (708,282)        | (720,125)        |
|                             | <b>2,127,016</b> | <b>2,083,065</b> |
| Building expenses per above | 3,152,960        | 3,083,010        |
| Eliminated PEO portion      | (708,282)        | (720,125)        |
|                             | <b>2,444,678</b> | <b>2,362,885</b> |

## 5. BUILDING FINANCING

In 2009, the association financed \$14,100,000 of the cost of its building acquisition with a credit facility from the Bank of Montreal, Capital Markets Division. The facility is secured by a first mortgage on the property located at 40 Sheppard Avenue West, a general security agreement, and a general assignment of tenant leases. The facility is repayable in monthly installments of principal plus interest maturing on March 11, 2019, and bears a floating interest rate based on variable bankers' acceptances. The balance outstanding at December 31, 2015 is \$8,467,000.

Principal repayments are due as follows:

|      |                  |
|------|------------------|
|      | \$               |
| 2016 | 928,000          |
| 2017 | 952,000          |
| 2018 | 980,000          |
| 2019 | 5,607,000        |
|      | <b>8,467,000</b> |

The association has entered into a swap agreement related to this loan, whereby the floating rate debt is swapped for a fixed rate debt with an interest rate of 4.95 per cent and settled on a net basis. The notional value of the swap is \$14,100,000. The start date of the swap was March 11, 2009, with a maturity date of March 11, 2019.

## 6. EMPLOYEE FUTURE BENEFITS

The association's pension plans and post-retirement benefits plan covering participating employees (full time and retirees) are defined benefit plans as defined in section 3463 of the *CPA Canada Handbook*. The pension plans provide pension benefits based on length of service and final average earnings. The post retirement benefits plan provides hospitalization, extended health care and dental benefits to active and retired employees. Participation in the pension plans and benefits plan (for post retirement benefits) has been closed to all new employees as of May 1, 2006. All employees joining after this date have the option of participating in a self-directed RRSP (registered retirement savings plan). During the year, the association recorded \$202,951 (2014-\$181,383) in employer contributions to the self-directed RRSP.

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The funded status of the association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2015, was as follows:

|  | Basic<br>pension plan | Supplemental<br>pension plan | Other<br>non-pension<br>benefit plan | Total        |
|--|-----------------------|------------------------------|--------------------------------------|--------------|
|  | \$                    | \$                           | \$                                   | \$           |
| Accrued benefit obligation                           | (22,882,200)          | (1,596,800)                  | (12,402,500)                         | (36,881,500) |
| Plan assets at fair value                            | 22,024,600            | 1,782,000                    | -                                    | 23,806,600   |
| Funded status—plan surplus<br>(deficit)              | (857,600)             | 185,200                      | (12,402,500)                         | (13,074,900) |
| Valuation allowance                                  | -                     | -                            | -                                    | -            |
| Defined benefit asset,<br>net of valuation allowance | (857,600)             | 185,200                      | (12,402,500)                         | (13,074,900) |

The funded status of the association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2014, was as follows:

|  | Basic<br>pension plan | Supplemental<br>pension plan | Other<br>non-pension<br>benefit plan | Total        |
|--|-----------------------|------------------------------|--------------------------------------|--------------|
|  | \$                    | \$                           | \$                                   | \$           |
| Accrued benefit obligation                           | (21,671,300)          | (1,563,500)                  | (11,810,300)                         | (35,045,100) |
| Plan assets at fair value                            | 22,081,200            | 1,810,800                    | -                                    | 23,892,000   |
| Funded status—plan surplus<br>(deficit)              | 409,900               | 247,300                      | (11,810,300)                         | (11,153,100) |
| Valuation allowance                                  | -                     | -                            | -                                    | -            |
| Defined benefit asset,<br>net of valuation allowance | 409,900               | 247,300                      | (11,810,300)                         | (11,153,100) |

PEO measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 each year. The most recently completed actuarial valuation of the pension plans for valuation purposes was as of December 31, 2014. The most recent completed actuarial valuation of the non-benefit plan for accounting purposes was as of December 31, 2014.

## 7. NET ASSETS

The net assets of the association are restricted to be used at the discretion of council and includes the association's investment in capital assets of \$29,244,302 (2014—\$27,694,729).

## 8. COUNCIL DISCRETIONARY RESERVE

The council discretionary reserve is an internal allocation from the operating reserve used at the discretion of council to fund expenses related to special projects approved by council. Expenses from the discretionary reserve were as follows:



|                                      | 2015          | 2014          |
|--------------------------------------|---------------|---------------|
|                                      | \$            | \$            |
| Legal reserve–Elliot Lake/other      | 45,061        | 3,339         |
| Privacy policy review                | 24,689        | 45,913        |
| Emerging Discipline Task Force       | 1,239         | 4,324         |
| Experienced Practitioners Task Force | -             | 4,110         |
| National Frame Work Task Force       | -             | 2,829         |
|                                      | <b>70,989</b> | <b>60,515</b> |

### 9. FULL-TIME SALARIES AND BENEFITS

During the year, the association incurred a total of \$10,734,613 (2014–\$10,367,673) for salary and benefits costs for its full-time staff, of which \$25,928 (2014–\$64,657) was directly attributable to special projects approved by council and disclosed under Note 8.

### 10. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

|  | 2015           | 2014             |
|--|----------------|------------------|
|  | \$             | \$               |
| Accounts receivable                      | (29,155)       | (118,919)        |
| Prepaid expenses and deposits            | (21,446)       | (31,139)         |
| Accounts payable and accrued liabilities | 789,656        | (275,923)        |
| Fees in advance and deposits             | 223,988        | (76,033)         |
|  | <b>963,043</b> | <b>(502,014)</b> |

### 11. CUSTODIAL ACCOUNT

The association maintains a separate bank account for the Council of Ontario Deans of Engineering. Cash totaling \$134,852 in this account (2014–\$128,207) is not reported on the association’s balance sheet, as it is held in trust for the Council of Ontario Deans of Engineering.

### 12. COMMITMENTS

The association has obligations under non-cancelable operating leases for various service agreements. The payments to the expiry of the leases and agreements are as follows:

|      |                  |
|------|------------------|
|      | \$               |
| 2016 | 1,181,943        |
| 2017 | 606,934          |
| 2018 | 271,106          |
| 2019 | 233,280          |
| 2020 | 165,240          |
|      | <b>2,458,503</b> |

### 13. CHAPTERS OF THE ASSOCIATION

The financial information of the 36 chapters of the association are individually not material and, therefore, have not been consolidated in these financial statements. Furthermore, management believes that the effort and cost required to prepare financial statements for each chapter for consolidation purposes far exceed the benefits of doing so.

During the year, the association paid chapter expenses totaling \$793,066 (2014–\$722,121), including \$510,000 (2014–\$500,000) in chapter allotments and \$283,066 (2014–\$222,121) in other disbursements to individual chapters. In 2015, the association also incurred additional costs of \$518,375 (2014–\$502,351) related to chapter operations including staff salaries and benefits, and for various support activities. These amounts have been included in the various operating expenses reported on the statement of revenue and expenses and changes in net assets.

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Interest rate risk*

PEO is exposed to interest rate risk, which is the risk that the fair values or future cash flows associated with its investments will fluctuate as a result of changes in market interest rates. Management addresses this risk through use of an investment manager to monitor and manage investments.

#### *Liquidity risk*

PEO’s objective is to have sufficient liquidity to meet its liabilities when due. PEO monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2015, the most significant financial liabilities are: accounts payable and accrued liabilities, and long-term debt.

### 15. GOVERNMENT REMITTANCES

Accounts payables and accrued liabilities include \$206,097 (2014–\$225,477), with respect to government remittances payable at year end.