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Financial statements of  
Association of Professional  
Engineers of Ontario

December 31, 2018

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## Independent Auditor's Report

To the Members of  
Association of Professional Engineers of Ontario

### Opinion

We have audited the accompanying financial statements of the Association of Professional Engineers of Ontario which comprise the balance sheet at December 31, 2018, and the statements of revenue, expenses 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association of Professional Engineers of Ontario as at December 31, 2018, 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

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 of Professional Engineers of Ontario 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 audit 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 Association of Professional Engineers of Ontario'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 of Professional Engineers of Ontario or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Association of Professional Engineers of Ontario'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 GAAS 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 GAAS, 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 of Professional Engineers of Ontario'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 of Professional Engineers of Ontario'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 of Professional Engineers of Ontario 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
March 22, 2019

**Association of Professional Engineers of Ontario**  
**Statement of revenue, expenses and changes in net assets**  
Year ended December 31, 2018

	Notes	2018 \$	2017 \$
<b>Revenue</b>			
P. Eng revenue		<b>15,731,903</b>	15,444,463
Application, registration, examination and other fees		<b>6,966,526</b>	6,450,742
Building operations	4	<b>2,058,844</b>	2,386,379
Advertising income		<b>270,005</b>	269,958
Investment income		<b>64,460</b>	287,341
		<b>25,091,738</b>	24,838,883
<b>Expenses</b>			
Staff salaries and benefits/retiree future benefits	9	<b>11,778,442</b>	11,742,284
Building operations	4	<b>2,494,427</b>	2,401,801
Purchased services		<b>1,620,259</b>	1,492,430
Amortization		<b>1,210,440</b>	1,280,598
Legal (corporate, prosecution and tribunal)		<b>1,072,994</b>	913,788
Engineers Canada		<b>982,774</b>	960,080
Computers and telephone		<b>968,239</b>	854,024
Occupancy costs	4	<b>885,083</b>	817,268
Chapters	13	<b>817,850</b>	887,498
Volunteer expenses		<b>726,230</b>	738,032
Transaction fees		<b>544,817</b>	536,201
Postage and courier		<b>529,756</b>	638,415
Contract staff		<b>305,197</b>	189,353
Consultants		<b>235,196</b>	459,679
Recognition, grants and awards		<b>141,498</b>	178,010
Office supplies		<b>134,263</b>	132,120
Insurance		<b>127,030</b>	116,481
Printing		<b>102,310</b>	113,406
Advertising		<b>99,268</b>	156,729
Staff expenses		<b>88,055</b>	100,522
Professional development		<b>86,057</b>	120,985
		<b>24,950,185</b>	24,829,704
Excess of revenue over expenses before the undernoted		<b>141,553</b>	9,179
Council discretionary reserve expenses	8	<b>18,472</b>	34,967
Excess (deficiency) of revenue over expenses		<b>123,081</b>	(25,788)
Remeasurement and other items		<b>934,800</b>	80,755
Net assets, beginning of year		<b>16,094,555</b>	16,039,588
<b>Net assets, end of year</b>		<b>17,152,436</b>	16,094,555

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

# Association of Professional Engineers of Ontario

## Balance sheet

As at December 31, 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
Current assets			
Cash in interest bearing accounts		<b>2,773,438</b>	2,353,902
Marketable securities, at fair value		<b>6,819,008</b>	6,806,699
Accounts receivable		<b>433,467</b>	426,729
Prepaid expenses and deposits		<b>404,162</b>	389,089
Other assets		<b>456,308</b>	401,256
		<b>10,886,383</b>	10,377,675
Capital assets	3	<b>34,615,613</b>	35,078,815
		<b>45,501,996</b>	45,456,490
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	15	<b>2,215,435</b>	1,787,457
Fees in advance and deposits		<b>9,250,525</b>	9,048,378
Current portion of long-term debt	5	<b>5,607,000</b>	980,000
		<b>17,072,960</b>	11,815,835
<b>Long-term</b>			
Long-term debt	5	—	5,607,000
Employee future benefits	6	<b>11,276,600</b>	11,939,100
		<b>28,349,560</b>	29,361,935
Net assets	7	<b>17,152,436</b>	16,094,555
<b>Total liabilities and net assets</b>		<b>45,501,996</b>	45,456,490
Contingencies	16		

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

Approved by the Council

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Association of Professional Engineers of Ontario

### Statement of cash flows

Year ended December 31, 2018

	2018	2017
Notes	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>123,081</b>	(25,788)
Add (deduct) items not affecting cash		
Amortization	<b>2,208,919</b>	2,232,686
Amortization - other assets	<b>77,339</b>	68,852
Employee future benefits expensed	<b>1,222,000</b>	1,218,555
Change in unrealized losses (gains) on marketable securities	<b>181,017</b>	(190,013)
(Gains) Losses on disposal of marketable securities	<b>(24,005)</b>	71,931
	<b>3,788,351</b>	3,376,223
Change in non-cash working capital items	<b>608,314</b>	107,844
	<b>4,396,665</b>	3,484,067
<b>Financing activities</b>		
Repayment of mortgage	<b>(980,000)</b>	(952,000)
Contributions to employee future benefit plans	<b>(949,700)</b>	(1,173,200)
	<b>(1,929,700)</b>	(2,125,200)
<b>Investing activities</b>		
Net change in marketable securities	<b>(169,321)</b>	(135,971)
Additions to capital assets	<b>(1,745,717)</b>	(249,576)
Additions to other assets	<b>(132,391)</b>	(68,743)
	<b>(2,047,429)</b>	(454,290)
Increase in cash	<b>419,536</b>	904,577
Cash, beginning of year	<b>2,353,902</b>	1,449,325
<b>Cash, end of year</b>	<b>2,773,438</b>	2,353,902

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

# Association of Professional Engineers of Ontario

## Notes to the financial statements

December 31, 2018

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### 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:

<u>Asset/liability</u>	<u>Measurement</u>
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 financial asset shall be written down and the resulting impairment loss shall be recognized in the statement of revenue, 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 the statement of revenue, expenses and changes in net assets 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:

- (i) The hedged item or the hedging item ceases to exist other than as designated and documented;
- (ii) 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.



**2. Significant accounting policies (continued)**

*b) Hedge accounting (continued)*

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*

License fee revenue, excluding the portion related to the Building Fund, is recognized as revenue on a monthly basis over the license period. Building Fund revenue is recognized as revenue at the commencement of the license 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 is 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 once every year 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:

- (i) 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;
- (ii) The cost of the plan for the year.

## Association of Professional Engineers of Ontario

### Notes to the financial statements

December 31, 2018

## 2. Significant accounting policies (continued)

### 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 - PEO	5%
Building improvements - common area	3.3% to 10%
Building improvements - non-recoverable	10% to 20%
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.

## 3. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Building	19,414,668	3,807,780	15,606,888	15,995,181
Building improvements - PEO	8,939,501	3,342,895	5,596,606	6,030,579
Building improvements - common area	10,556,393	3,615,416	6,940,977	6,656,006
Building improvements - non recoverable	359,676	22,770	336,906	—
Land	4,366,303	—	4,366,303	4,366,303
Computer hardware and software	4,786,864	3,735,380	1,051,484	1,504,923
Furniture, fixtures and telephone equipment	1,438,058	1,138,884	299,174	411,827
Audio visual	1,008,316	935,591	72,725	112,913
Work-in-progress	344,550	—	344,550	1,083
	<b>51,214,329</b>	<b>16,598,716</b>	<b>34,615,613</b>	<b>35,078,815</b>

# Association of Professional Engineers of Ontario

## Notes to the financial statements

December 31, 2018

### 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:

	<b>2018</b>	2017
	\$	\$
Revenue		
Rental	<b>727,943</b>	804,236
Operating cost recoverable - tenants	<b>1,047,173</b>	1,313,369
Parking	<b>143,700</b>	139,259
Miscellaneous	<b>140,028</b>	129,515
	<b>2,058,844</b>	2,386,379
Operating cost recoverable - PEO	<b>812,793</b>	729,089
	<b>2,871,637</b>	3,115,468
Recoverable expenses		
Utilities	<b>574,521</b>	534,901
Amortization	<b>587,416</b>	563,795
Property taxes	<b>445,156</b>	442,424
Payroll	<b>253,104</b>	253,104
Janitorial	<b>214,395</b>	190,665
Repairs and maintenance	<b>193,615</b>	159,577
Property management and advisory fees	<b>59,244</b>	86,977
Security	<b>37,372</b>	4,798
Administrative	<b>25,034</b>	23,119
Road and ground	<b>24,227</b>	20,693
Insurance	<b>18,711</b>	18,247
	<b>2,432,795</b>	2,298,300
Other expenses		
Interest expense on note and loan payable	<b>301,269</b>	348,006
Amortization of building	<b>388,293</b>	388,293
Amortization of deferred costs	<b>77,339</b>	68,852
Amortization of tenant inducements	<b>22,770</b>	—
Other non-recoverable expenses	<b>84,754</b>	27,439
	<b>874,425</b>	832,590
	<b>3,307,220</b>	3,130,890
(Deficiency) of revenue over expenses	<b>(435,583)</b>	(15,422)

For purposes of the statement of revenue, expenses and changes in net assets, the operating costs recoverable from PEO of \$812,793 (2017 - \$729,089) have been eliminated. The portion of costs allocated to PEO is reallocated from Building operations and is included in Occupancy costs on the statement of revenue, expenses and changes in net assets.

## Association of Professional Engineers of Ontario

### Notes to the financial statements

December 31, 2018

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#### 4. Building operations (continued)

	2018	2017
	\$	\$
Building revenue per above	2,871,637	3,115,468
Eliminated PEO portion	<u>(812,793)</u>	<u>(729,089)</u>
	<u>2,058,844</u>	<u>2,386,379</u>
Building expenses per above	3,307,220	3,130,890
Eliminated PEO portion	<u>(812,793)</u>	<u>(729,089)</u>
	<u>2,494,427</u>	<u>2,401,801</u>

#### 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 Association 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% 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.

Effective March 11, 2019 upon maturity, the facility converted to a floating rate loan at prime plus 1% (which is 4.95%). The Association is currently in negotiations with various financial institutions to refinance the debt in a long-term facility. The balance outstanding at December 31, 2018 is \$5,607,000.

#### 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 3462 of the CPA Canada Handbook and accounted for as per Section 3463. 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 \$261,634 (2017 - \$254,900) in employer contributions to the self-directed RRSP.

## Association of Professional Engineers of Ontario

### Notes to the financial statements

December 31, 2018

#### 6. Employee future benefits (continued)

The funded status of the Association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2018 was as follows:

	Basic pension plan \$	Supplemental pension plan \$	Other non-pension benefit plan \$	Total \$
Accrued benefit obligation	(24,698,000)	(1,828,800)	(12,956,000)	(39,482,800)
Plan assets at fair value	26,335,600	1,870,600	-	28,206,200
Funded status - plan surplus (deficit)	1,637,600	41,800	(12,956,000)	(11,276,600)

The funded status of the Association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2017 was as follows:

	Basic pension plan \$	Supplemental pension plan \$	Other non-pension benefit plan \$	Total \$
Accrued benefit obligation	(24,412,500)	(1,905,800)	(14,241,800)	(40,560,100)
Plan assets at fair value	26,726,400	1,894,600	-	28,621,000
Funded status - plan surplus (deficit)	2,313,900	(11,200)	(14,241,800)	(11,939,100)

PEO measures its defined benefit obligations and the fair value of plan assets related to the basic and supplemental pension plans for accounting purposes as at December 31 each year based on the most recently completed actuarial valuation for funding purposes. The most recently completed actuarial valuation of the pension plans for funding purposes, was as of January 1, 2018. PEO measures its obligations related to its other non-pension benefit plan using an actuarial valuation prepared for accounting purposes. The most recent actuarial valuation for accounting purposes was as of December 31, 2018.

#### 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 \$29,008,613 (2017 - \$28,491,815).

## Association of Professional Engineers of Ontario

### Notes to the financial statements

December 31, 2018

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#### 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. These figures include costs of \$12,445 for salaries and benefits for staff time spent on these projects.

	<b>2018</b>	2017
	\$	\$
Emerging Discipline Task Force	<b>1,110</b>	1,376
Governance Working Group Phase 1	<b>452</b>	—
30 by 30 Task Force	<b>16,910</b>	—
Council Term Limits Task Force	—	10,506
Council Composition Task Force	—	23,085
	<b>18,472</b>	34,967

#### 9. Full time salaries and benefits

During the year, the Association incurred a total of \$11,790,887 (2017 - \$11,763,548) for salary and benefits costs for its full-time staff of which \$12,445 (2017 - \$21,264) was directly attributable to special projects approved by Council and disclosed in Note 8.

#### 10. Change in non-cash working capital items

	<b>2018</b>	2017
	\$	\$
Accounts receivable	<b>(6,738)</b>	72,287
Prepaid expenses and deposits	<b>(15,073)</b>	(124,075)
Accounts payable and accrued liabilities	<b>427,978</b>	(26,328)
Fees in advance and deposits	<b>202,147</b>	185,960
	<b>608,314</b>	107,844

#### 11. Custodial account

The Association maintains a separate bank account for the Council of Ontario Deans of Engineering. Cash held in the bank account totaling \$156,437 (2017 - \$142,264) is not reported on the Association's balance sheet, as it is held in trust for the Council of Ontario Deans of Engineering.

## Association of Professional Engineers of Ontario

### Notes to the financial statements

December 31, 2018

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#### 12. Commitments

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

	\$
2019	1,449,493
2020	909,437
2021	69,297
	<u>2,428,227</u>

#### 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 \$817,850 (2017 - \$887,498) including \$524,000 (2017 - \$596,775) in chapter allotments and \$293,850 (2017 - \$290,723) in other disbursements to individual chapters. During the year, the Association also incurred additional costs of \$485,698 (2017 - \$561,332) 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, 2018, the most significant financial liabilities are: accounts payable and accrued liabilities, and long-term debt.

##### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. PEO's international and US equity pooled fund investments are denominated in foreign currencies the value of which could fluctuate in part due to changes in foreign exchange rates.

#### 15. Government remittances

Accounts payables and accrued liabilities includes \$307,724 (2017 - \$318,916), with respect to government remittances payable at year end.

**16. Contingencies**

PEO has been named in litigation matters, the outcome of which is undeterminable and accordingly, no provision has been provided for any potential liability in these financial statements. Should any loss result from these claims, which is not covered by insurance, such loss would be charged to operations in the year of resolution or earlier if the loss is likely and determinable.