Financial statements of
Association of Professional Engineers of Ontario

December 31, 2024

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Independent Auditor's Report

To the Members of the
Association of Professional Engineers of Ontario

Opinion

We have audited the accompanying financial statements of the Association of Professional Engineers of Ontario ("PEO") which comprise the Statement of financial position at December 31, 2024, and the statements 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PEO as at December 31, 2024, 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 PEO 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 PEO'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 PEO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PEO'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 PEO’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 PEO’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 PEO 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 4, 2025

Association of Professional Engineers of Ontario
Statement of operations and changes in net assets
Year ended December 31, 2024

	Notes	2024 $	2023 $
Revenue			
P. Eng. revenue		**20,555,107**	20,419,085
Application, registration, examination and other fees		**9,132,582**	10,799,527
Investment income		**2,562,263**	2,450,361
Building operations	4	**2,497,490**	2,522,215
Affinity program	6	**2,079,977**	1,140,377
Chapters revenues		**193,025**	183,548
Advertising income		**43,194**	56,266
		37,063,638	37,571,379
Expenses			
Staff salaries and benefits/retiree and future benefits	10	**17,581,409**	14,755,423
Purchased services		**3,140,370**	2,031,333
Building operations	4	**2,043,736**	2,181,367
Computers and telephone		**1,765,863**	1,502,568
Legal (corporate, prosecution and tribunal)		**1,292,836**	1,889,585
Chapters expenses	13	**1,124,034**	987,561
Occupancy costs	4	**932,920**	868,604
Engineers Canada		**809,208**	1,033,732
Contract staff		**799,457**	1,155,291
Transaction fees		**767,264**	795,656
Consultants		**657,234**	510,595
Amortization		**469,312**	471,094
Volunteer expenses		**376,449**	297,730
Professional development		**261,982**	221,746
Insurance		**128,238**	144,885
Recognition, grants and awards		**99,277**	138,143
Postage and courier		**98,262**	177,842
Staff expenses		**84,873**	66,710
Office supplies		**84,175**	72,264
Printing		**56,439**	57,000
Advertising		**42,572**	30,583
		32,615,910	29,389,712
Excess of revenue over expenses before the undernoted		**4,447,728**	8,181,667
Council discretionary and strategic plan projects	9	**3,155,407**	3,879,859
Excess of revenue over expenses		**1,292,321**	4,301,808
Remeasurement and other items	7	**3,630,335**	1,198,300
Net assets, beginning of year		**39,705,754**	34,205,646
Net assets, end of year		**44,628,410**	39,705,754

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

Association of Professional Engineers of Ontario

Statement of financial position

As at December 31, 2024

	Notes	2024 $	2023 $
Assets			
Current assets			
Cash		**5,476,019**	8,986,393
Accounts receivable		**644,398**	914,468
Prepaid expenses and deposits		**716,168**	471,016
Other assets		**11,873**	36,496
		6,848,458	10,408,373
Marketable securities		**35,151,617**	29,112,173
Capital assets	3	**25,961,883**	27,213,403
		67,961,958	66,733,949
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	**2,840,552**	2,233,693
Fees in advance and deposits		**12,064,496**	12,370,498
Current portion of long-term debt	5	**—**	362,904
		14,905,048	14,967,095
Long-term liabilities			
Employee future benefits	7	**8,428,500**	12,061,100
		23,333,548	27,028,195
Commitments and contingencies	12 and 16		
Net assets	8	**44,628,410**	39,705,754
		67,961,958	66,733,949

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

Approved by the Council

G P Wowchuk, P.Eng, Director

________________, Director

Association of Professional Engineers of Ontario

Statement of cash flows

Year ended December 31, 2024

	Notes	2024 $	2023 $
Operating activities			
Excess of revenue over expenses		**1,292,321**	4,301,808
Add (deduct) items not affecting cash			
Amortization		**1,303,406**	1,318,134
Amortization – other assets		**24,623**	64,671
Employee future benefits expensed		**1,235,035**	1,375,100
Change in unrealized losses (gains) on marketable securities		**(757,121)**	(1,514,609)
Losses (gains) on disposal of marketable securities		**(455,372)**	225,128
		2,642,892	5,770,232
Change in non-cash working capital items	11	**325,775**	(1,091,551)
		2,968,667	4,678,681
Financing activities			
Repayment of mortgage	5	**(362,904)**	(1,088,796)
Contributions to employee future benefit plans		**(1,237,300)**	(1,375,800)
		(1,600,204)	(2,464,596)
Investing activities			
Net change in marketable securities		**(4,826,951)**	(705,102)
Additions to capital assets		**(51,886)**	(107,936)
		(4,878,837)	(813,038)
Increase (decrease) in cash		**(3,510,374)**	1,401,047
Cash, beginning of year		**8,986,393**	7,585,346
Cash, end of year		**5,476,019**	8,986,393

1. Nature of operations

The Association of Professional Engineers of Ontario ("PEO" or the "Association") 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 financial asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in net assets for the period. Transaction costs are expensed as incurred.

(b) 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. Affinity program revenue is recognized when received. Other revenues are recognized when the related services are provided.

(c) 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 financial statements of the Association.

(d) 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 on the going concern basis for funding purposes 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.

2. Significant accounting policies (continued)

(d) Employee future benefits (continued)

Other non-pension plan benefits

The cost of PEO's non-pension defined benefit plan is determined periodically by independent actuaries. PEO uses the most recent accounting actuarial valuation 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 allowance in the statement of changes in net assets;

(ii) The cost of the plan for the year.

(e) Capital assets

Capital assets are recorded at cost. Amortization is calculated on 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 in the Statement of financial position.

(f) 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 $	2024 Net book value $	2023 Net book value $
Building	**19,414,668**	**6,137,540**	**13,277,128**	13,665,421
Building improvements – PEO	**8,961,067**	**6,011,677**	**2,949,390**	3,391,856
Building improvements – common area	**11,491,982**	**6,496,093**	**4,995,889**	5,340,012
Building improvements – non-recoverable	**741,332**	**536,986**	**204,346**	281,998
Land	**4,366,303**	**—**	**4,366,303**	4,366,303
Computer hardware and software	**5,287,238**	**5,287,238**	**—**	—
Furniture, fixtures and telephone equipment	**1,503,515**	**1,455,529**	**47,986**	50,548
Audio visual	**1,150,302**	**1,029,461**	**120,841**	117,265
	52,916,407	**26,954,524**	**25,961,883**	27,213,403

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:

	2024	2023
	$	$
Revenue		
Operating cost recoverable – tenants	**1,390,419**	1,430,153
Rental	**848,098**	831,928
Parking	**151,350**	159,000
Miscellaneous	**107,623**	101,134
	2,497,490	2,522,215
Operating cost recoverable – PEO	**893,292**	794,919
	3,390,782	3,317,134
Recoverable expenses		
Property taxes	**454,986**	441,198
Utilities	**457,428**	419,844
Amortization	**368,148**	367,521
Security	**326,705**	297,229
Repairs and maintenance	**221,176**	242,727
Janitorial	**215,226**	203,467
Payroll	**150,189**	145,333
Property management and advisory fees	**101,656**	107,504
Insurance	**38,186**	37,870
Administrative	**36,398**	33,028
Road and ground	**14,955**	11,689
	2,385,053	2,307,410
Other expenses		
Amortization of building	**388,294**	388,294
Amortization of tenant inducements	**77,653**	91,225
Other non-recoverable expenses	**55,239**	99,587
Amortization of deferred costs	**24,621**	64,671
Interest expense on note and loan payable	**6,168**	25,099
	551,975	668,876
	2,937,028	2,976,286
Excess of revenue over expenses	**453,754**	340,848

For purposes of the Statement of operations and changes in net assets, the operating costs recoverable from PEO of $893,292 ($794,919 in 2023) have been eliminated. The portion of costs allocated to PEO is reallocated from Building operations and is included in Occupancy costs in the Statement of operations and changes in net assets.

4. Building operations (continued)

	2024	2023
	$	$
Building revenue as per above	**3,390,782**	3,317,134
Eliminated PEO portion	**(893,292)**	(794,919)
	2,497,490	2,522,215
Building expenses as per above	**2,937,028**	2,976,286
Eliminated PEO portion	**(893,292)**	(794,919)
	2,043,736	2,181,367

5. Building financing

As of April 5, 2024, the mortgage on the Association's property located at 40 Sheppard Avenue West, Toronto, ON matured and on that date the loan was fully paid. In addition, the interest rate swap that had been entered into for the purposes of fixing the interest rate on the mortgage also matured with no gain or loss to be recognized.

6. Affinity program

In 2023, PEO entered into an insurance affinity agreement with Engineers Canada (EC). Like other provincial and territorial engineering regulators, PEO is a member association of EC. EC has negotiated a national home and automobile insurance affinity program with Meloche Monnex Inc. (MMI). Under this agreement, MMI provides EC with a share of insurance revenues it derives from professional engineers. EC in turn pays PEO for providing MMI with an exclusive opportunity to offer home and automobile insurance to PEO members. These monies are the payment from EC to PEO under this agreement.

7. 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 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 or group RRSP (registered retirement savings plan). During the year, the Association recorded $502,165 ($411,816 in 2023) in employer contributions to the self-directed and group RRSP.

7. 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, 2024, was as follows:

	Basic pension plan $	**Supplemental pension plan $**	**Other non-pension benefit plan $**	**Total $**
Accrued benefit obligation	**(39,432,400)**	**(2,756,300)**	**(8,725,900)**	**(50,914,600)**
Plan assets at fair value	**39,939,000**	**2,547,100**	**—**	**42,486,100**
Funded status – plan surplus (deficit)	**506,600**	**(209,200)**	**(8,725,900)**	**(8,428,500)**

The funded status of the Association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2023, was as follows:

	Basic pension plan $	Supplemental pension plan $	Other non-pension benefit plan $	Total $
Accrued benefit obligation	(38,682,300)	(2,794,600)	(8,633,000)	(50,109,900)
Plan assets at fair value	35,628,100	2,420,700	—	38,048,800
Funded status – plan surplus (deficit)	(3,054,200)	(373,900)	(8,633,000)	(12,061,100)

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, 2022, with the liabilities projected forward to December 31, 2024. PEO measures its obligations related to its other non-pension benefit plan using an actuarial valuation for accounting purposes. The most recent actuarial valuation for accounting purposes for the non-pension benefit plan is as of December 31, 2023, with the liabilities projected forward to December 31, 2024.

Remeasurements and other items resulting from these valuations are reported directly in net assets in the Statement of financial position and are reported separately as a change in net assets in the Statement of operations and changes in net assets.

8. 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 $25,961,883 ($26,850,499 in 2023).

9. 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 and strategic plan projects approved by Council. These figures include $716,907 ($391,076 in 2023) for salaries and benefits costs of full-time staff for time spent on these projects. Expenses from the discretionary reserve were incurred on the following projects:

	2024	2023
	$	$
Council discretionary projects		
Governance related matters	**319,377**	32,567
HR information system and other initiatives	**222,353**	818,398
Organizational transformation and other initiatives	**97,411**	119,787
Anti-racism working group	**26,960**	28,972
Councillor training	**23,247**	19,080
Fair Access to Regulated Professions and Compulsory Trades Act ("FARPACTA") project	**—**	1,627,489
Information Discovery & Digitization Capability ("IDDC") project	**—**	432,571
Various IT initiatives	**—**	1,647
Strategic plan projects		
Optimize organizational performance	**1,248,167**	299,760
Improve licensing processes	**991,213**	302,009
Refresh vision	**194,076**	151,106
Implement governance improvement program	**32,603**	46,473
	3,155,407	3,879,859

10. Full-time salaries and benefits

During the year, the Association incurred a total of $18,298,316 ($15,146,499 in 2023) for salaries and benefits costs for its full-time staff and retirees. Out of this amount, $716,907 ($391,076 in 2023) was directly attributable to special projects and strategic plan approved by Council and disclosed in Note 9.

11. Change in non-cash working capital items

	2024	2023
	$	$
Accounts receivable	**270,070**	97,720
Prepaid expenses and deposits	**(245,152)**	(34,765)
Accounts payable and accrued liabilities	**606,859**	(1,355,450)
Fees in advance and deposits	**(306,002)**	200,944
	325,775	(1,091,551)

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:

	$
2025	2,543,222
2026	912,383
2027	707,100
2028	42,376
	4,205,081

13. Chapters of the association

During the year, the Association paid expenses totaling $1,124,034 ($987,561 in 2023) for its 36 chapters and also incurred additional costs of $618,008 ($345,628 in 2023) related to chapters operations including staff salaries and benefits, and for various support activities. These amounts have been included in the various operating expenses reported in the Statement of operations 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 the 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, 2024, the most significant current financial liabilities are accounts payable and accrued liabilities.

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 $64,757 ($145,147 in 2023), 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.