

175th ENGINEERS CANADA BOARD MEETING

April 18, 2016

13:00 – 14:00

VIA TELECONFERENCE

*Please join the teleconference by calling the following number:
Dial-in: 1-877-519-4508
Participant code: 6861759*

Note : Digvir and Paul will be calling in from overseas for the teleconference.

1. CALL TO ORDER AND APPROVAL OF AGENDA

D. Jayas

RESOLVED THAT the agenda be approved and the President be authorized to modify the order of discussion.

2. ENGINEERS CANADA DRAFT AUDITED 2015 FINANCIAL STATEMENTS

R. Kinghorn

RESOLVED THAT the Board approve the Engineers Canada financial statements for the year ending December 31, 2015, as audited by KPMG LLP, and that the financial statements be placed before the Members at the May 2016 annual meeting of members.

3. DISCUSSION OF BUDGET SUBMISSION TO THE BOARD

Attachment: Engineers Canada Budget 2016 – Draft (from February 2016)

4. CLOSING

D. Jayas

Nominations for Board Positions – 2016

Candidatures pour les sièges du conseil - 2016

As of April 4, 2016/Au 4 avril 2016

Jurisdiction <i>Province/territoire</i>	Directors (per By-law s. 4.2) <i>Administrateurs</i> (selon l'article. 4.2 du Règlement administratif)	Vacant positions 2016-17 <i>Postes vacants</i> 2016-17	2016 Nominees <i>Candidats 2016</i>	Term <i>Mandat</i>
Alberta	4	3	Connie Parenteau	3 years <i>3 ans</i>
British Columbia <i>Colombie-Britannique</i>	2	1	Russ Kinghorn	1 year <i>1 an</i>
Manitoba	1	none <i>aucun</i>		
New Brunswick <i>Nouveau-Brunswick</i>	1	1	Darryl Ford	3 years <i>3 ans</i>
Newfoundland & Labrador <i>Terre-Neuve- et-Labrador</i>	1	none <i>aucun</i>		
Northwest Territories and Nunavut <i>Territoires du Nord-Ouest et Nunavut</i>	1	none <i>aucun</i>		
Nova Scotia <i>Nouvelle-Écosse</i>	1	1	Sarah Devereaux	3 years <i>3 ans</i>
Ontario	5	2	Dave Brown Rakesh Shreewastav	3 years <i>3 ans</i>
Prince Edward Island <i>Île-du-Prince-Édouard</i>	1	none <i>aucun</i>		
Quebec <i>Québec</i>	4	1	Kathy Baig	3 years <i>3 ans</i>
Saskatchewan	1	none <i>aucun</i>		
Yukon	1	none <i>aucun</i>		



DRAFT Financial Statements of

ENGINEERS CANADA

Year ended December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of Engineers Canada

We have audited the accompanying financial statements of Engineers Canada, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 Engineers Canada as at December 31, 2015, and its results of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

date

Ottawa, Canada

ENGINEERS CANADA

Statement of Financial Position

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December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash (note 3)	\$ 895,623	\$ 604,322
Amounts receivable (note 4)	1,280,064	1,272,986
Prepaid expenses	134,985	195,360
	<u>2,310,672</u>	<u>2,072,668</u>
Investments (note 5)	5,959,388	6,460,962
Tangible capital and intangible assets (note 6)	1,721,609	797,225
	<u>\$ 9,991,669</u>	<u>\$ 9,330,855</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 702,504	\$ 347,166
Deferred contributions	126,724	-
	<u>829,228</u>	<u>347,166</u>
Deferred lease inducement (note 8)	514,531	-
Net assets (note 9):		
Internally restricted:		
Four-year rolling operational reserve	4,000,000	4,000,000
General contingency reserve	1,325,000	1,325,000
Capital reserve for the purchase of assets	250,000	250,000
Other internally restricted	211,400	211,400
Invested in tangible capital and intangible assets	1,273,421	797,225
Unrestricted	1,588,089	2,400,064
	<u>8,647,910</u>	<u>8,983,689</u>
Commitments (note 10)		
	<u>\$ 9,991,669</u>	<u>\$ 9,330,855</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ENGINEERS CANADA

Statement of Operations

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Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Membership fees	\$ 2,836,879	\$ 2,746,163
Affinity and insurance (note 11)	5,883,494	5,607,697
Outreach and marketing	171,814	128,456
On-line Competency project	13,871	-
Engineering and public policy	154,117	151,878
Investment income	285,256	650,325
Other income (note 12)	73,809	157,628
	<u>9,419,240</u>	<u>9,442,147</u>
Expenses:		
Governance and executive office	970,052	795,213
Human resources	4,688,881	4,364,325
Finance and administration	1,294,045	1,076,154
Information services	45,172	77,685
Affinity and insurance programs	808,519	826,851
Outreach and marketing	461,005	628,272
Communications	211,040	329,803
Accreditation	403,230	468,141
Assessment	195,858	192,271
National and international mobility	99,780	53,134
Qualifications	258,210	199,720
Public affairs	107,704	166,895
Engineering and public policy	89,270	104,882
Legal and brand protection	122,253	134,128
	<u>9,755,019</u>	<u>9,417,474</u>
Excess (deficiency) of revenue over expenses	\$ (335,779)	\$ 24,673

See accompanying notes to financial statements.

ENGINEERS CANADA

Statement of Changes in Net Assets

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Year ended December 31, 2015, with comparative information for 2014

	Four-year rolling operational reserve (note 9)	General contingency reserve (note 9)	Capital reserve for the purchase of assets (note 9)	Other internally restricted (note 9)	Invested in tangible capital and intangible assets (note 9)	Unrestricted	2015	2014
Balance, beginning of year	\$ 4,000,000	\$ 1,325,000	\$ 250,000	\$ 211,400	\$ 797,225	\$ 2,400,064	\$ 8,983,689	\$ 8,959,016
Excess (deficiency) of revenue over expenses	-	-	-	-	(408,718)	72,939	(335,779)	24,673
Additions to tangible capital and intangible assets	-	-	-	-	1,341,994	(1,341,994)	-	-
Deferred lease inducements received	-	-	-	-	(457,080)	457,080	-	-
Balance, end of year	\$ 4,000,000	\$ 1,325,000	\$ 250,000	\$ 211,400	\$ 1,273,421	\$ 1,588,089	\$ 8,647,910	\$ 8,983,689

See accompanying notes to financial statements.

ENGINEERS CANADA

Statement of Cash Flows

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Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (335,779)	\$ 24,673
Items not involving cash:		
Amortization of tangible capital and intangible assets	297,665	207,413
Amortization of lease inducement	(8,892)	-
Loss on disposal of tangible capital and intangible assets	119,945	-
Change in net unrealized gain on investments (note 5)	76,422	(182,483)
Change in non-cash operating working capital:		
Decrease (increase) in amounts receivable	(7,078)	66,934
Decrease in prepaid expenses	60,375	24,936
Increase (decrease) in accounts payable and accrued liabilities	355,338	(61,696)
Increase in deferred contributions	126,724	-
	<u>684,720</u>	<u>79,777</u>
Financing:		
Withdrawals from investments	750,000	500,000
Lease inducements received	523,423	-
	<u>1,273,423</u>	<u>500,000</u>
Investing activities:		
Purchases of investments	(324,848)	(347,816)
Additions to tangible capital and intangible assets	(1,341,994)	(249,282)
	<u>(1,666,842)</u>	<u>(597,098)</u>
Increase (decrease) in cash	291,301	(17,321)
Cash, beginning of year	604,322	621,643
Cash, end of year	<u>\$ 895,623</u>	<u>\$ 604,322</u>

See accompanying notes to financial statements.

ENGINEERS CANADA

Notes to Financial Statements

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Year ended December 31, 2015

1. **Governing statutes and nature of operations:**

Engineers Canada is a national federation of the twelve provincial and territorial associations authorized to license engineers and regulate the practice of the profession across Canada. Engineers Canada exists so that constituent associations have support for an advancing engineering profession and its self-regulation in the public interest at a cost that is justified by the results.

Engineers Canada was originally incorporated without share capital under Part II of the Canada Corporations Act. Effective October 31, 2013, Engineers Canada continued their articles of incorporation from Canada Corporations Act to the Canada Not-for-profit Corporations Act and changed its name to Engineers Canada from the Canadian Council of Professional Engineers. Engineers Canada is a not-for-profit organization and as such is exempt from income tax under Section 149(1)(l) of the Income Tax Act (Canada).

2. **Significant accounting policies:**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting and include the following significant accounting policies:

(a) Basis of presentation:

Engineers Canada follows the deferral method of accounting for contributions for not-for-profit organizations.

(b) Revenue recognition:

Engineers Canada's principal sources of revenue are provincial assessment fees from members, amounts from affinity and insurance programs, and government project funding.

Revenues for the provincial assessment fees are recognized when the constituent members have been invoiced. The amounts are included in finance and administration revenues on the statement of operations. Revenues from the Affinity Programs are recognized when the amount becomes collectible according to the terms of the arrangement.

Government funding that is externally restricted for specific projects are deferred and recognized as revenue in the period in which the related expenses are incurred. Funding received for tangible capital and intangible assets is deferred and amortized over the same term and on the same basis as the related asset.

ENGINEERS CANADA

Notes to Financial Statements (continued)

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Year ended December 31, 2015

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. All investment revenues including realized and unrealized gains and losses on investments are recognized in the statement of operations.

Externally funded project revenues, which include government funded project revenues, are recognized using the deferral method of accounting as the related eligible expenses are incurred in accordance with the terms of each contract. Amounts received in excess of eligible expenses are disclosed as a liability.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Engineers Canada has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, Engineers Canada determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Engineers Canada expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

2. Significant accounting policies (continued):

(d) Tangible capital and intangible assets:

Tangible capital and intangible assets are recorded at cost less accumulated amortization. When a tangible capital or intangible asset no longer contributes to Engineers Canada's ability to provide services, its carrying amount is written down to its residual value.

Amortization of tangible capital and intangible assets is provided on the straight-line basis as follows:

Asset	Terms
Tangible capital:	
Furniture, fixtures and equipment	4 years
Computer hardware	4 years
Leasehold improvements	Remaining term of lease
Intangible:	
Computer software	4 years
Engineering Talent project	4 years

(e) Deferred lease inducement:

Leasehold inducements are deferred and amortized over the term of the lease. Annual amortization is recorded as a credit to rent expense.

(f) Allocated expenses:

In the statement of operations, Engineers Canada presents its expenses by function.

Expenses such as salaries, benefits and administrative are recognized in the year incurred and are recorded in the functional categories on the statement of operations to which they are directly related. Engineers Canada does not allocate expenses between functions subsequent to initial recognition.

(g) Foreign currency translation:

Foreign currency transactions are initially recorded at the rate of exchange prevailing at the date of translation. Thereafter, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Revenue and expenses in a foreign currency are translated at the average monthly rate in effect during the year. Gains and losses resulting from the translation are included in investment income in the statement of operations.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of the financial statements 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 year. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Cash:

Engineers Canada's operating cash is held in Canadian chartered banks. Substantially all the accounts are Canadian dollar accounts and earn interest at variable rates established from time to time by the bank based on its prime rate less 2.75% (2014 prime rate less 2.75%).

4. Amounts receivable:

	2015	2014
Affinity and insurance programs	\$ 1,096,191	\$ 1,113,507
Due from members	124,419	122,590
Government remittances receivable	59,454	36,889
	<u>\$ 1,280,064</u>	<u>\$ 1,272,986</u>

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

5. Investments:

	2015		2014	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 18,718	\$ 18,718	\$ 698,704	\$ 698,704
Bonds	1,901,982	1,890,848	2,345,120	2,273,002
Canadian equities	1,907,983	1,669,541	1,293,786	906,168
U.S. equities	1,401,690	1,019,378	1,451,679	1,117,830
Other foreign equities	729,015	590,715	671,673	618,648
	\$ 5,959,388	\$ 5,189,200	\$ 6,460,962	\$ 5,614,352

Investments are held by Engineers Canada in accordance with an investment policy approved by the Board of Directors to fund its internally restricted net assets for the purposes specified in note 8(a).

At the end of 2015, the net unrealized gain on Engineers Canada's investments is \$770,188 (2014 \$846,610).

6. Tangible capital and intangible assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital:				
Furniture, fixtures and equipment	\$ 149,669	\$ 38,049	\$ 111,620	\$ 18,681
Computer hardware	422,550	264,500	158,050	219,093
Leasehold improvements	1,017,203	18,427	998,776	141,755
Intangible asset:				
Computer software	596,076	203,913	392,163	417,696
Engineering Talent project	61,000	-	61,000	-
	\$ 2,246,498	\$ 524,889	\$ 1,721,609	\$ 797,225

Cost and accumulated amortization at December 31, 2014 amounted to \$2,038,677 and \$1,241,452, respectively.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

7. Accounts payable and accrued liabilities:

	2015	2014
Operating	\$ 662,057	\$ 304,658
Secondary Professional Liability insurance premiums repayable to members	40,447	42,508
	<u>\$ 702,504</u>	<u>\$ 347,166</u>

Included in operating amounts payable are government remittances such as sales and payroll-related taxes of \$5,360 (2014 \$Nil).

8. Deferred lease inducement:

During the year, Engineers Canada entered into a lease agreement to rent premises for the next ten years. As part of this agreement, Engineers Canada received a tenant allowance to cover fit-up costs up to a maximum of \$30 per square foot of space rented, as well as a rent-free period for nine months. Breakdown of the deferred lease inducement is as follows:

Rent free leasehold inducements	\$ 66,343
Tenant allowance - fit-up costs	457,080
	<u>523,423</u>
Less amortization of fit-up costs	8,892
	<u>\$ 514,531</u>

9. Net assets:

Engineers Canada's overall objective with regard to its net assets is to fund future projects, ongoing operations and tangible capital and intangible assets. Engineers Canada manages its net assets by establishing restricted funds and committing amounts in the internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are presented in the statement of changes in net assets and disclosed in note 9(a).

Engineers Canada's objective with respect to unrestricted net assets is to maintain a balance sufficient to meet the needs associated with ongoing operations and to finance any unrealized losses on Engineers Canada's investments. Engineers Canada's net assets invested in its tangible capital and intangible assets is equal to their net book value less the corresponding lease inducement.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

9. Net assets (continued):

Engineers Canada is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2014.

(a) Internally restricted net assets:

Internally restricted net assets are funds committed for specific purposes, which reflect the application of Engineers Canada's Board policy as follows:

The Four Year Rolling Operational Reserve is to provide Engineers Canada with sufficient resources to identify other sources of revenue in the eventuality that significant sources of revenues are no longer available, or in the event of a severe disruption of operations to downsize activities in a rational manner. This reserve is being maintained at a target level of \$4,000,000.

The General Contingency Reserve ensures that funds are available in case of legal challenge, to provide funds to cover the deductibles for insurances, and to assist the constituent members where it is demonstrated that they do not have the financial resources to defend an enforcement action and/or statutory obligation that has a clear and significant impact on the other members. This reserve has a target level of \$1,325,000.

The Capital Reserve for the Purchase of Assets is to provide funds which are available to allow for replacement of capital assets. This reserve has a target level of \$250,000.

The other internally restricted net assets category was effectively established by Engineers Canada's Board of Directors to reflect budgetary decisions made by Engineers Canada's Board of Directors when the funding source is not budgeted revenue. As at December 31, 2015, these decisions relate to legal defence costs and other program enhancements of \$211,400 (2014 \$211,400).

Engineers Canada's Board of Directors will also create new reserves and/or discontinue existing reserves, if and when required.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

10. Commitments:

- (a) Engineers Canada leases office space under an operating lease which expires on June 30, 2026. The future minimum rental payments required over the next five years are as follows:

2016	\$	157,000
2017		315,000
2018		315,000
2019		315,000
2020		315,000
Thereafter		1,920,000
		<hr/>
	\$	3,337,000

- (b) Engineers Canada is committed to payments under operating leases for photocopier equipment. Minimum annual payments are approximately as follows:

2016	\$	3,670
2017		3,670
2018		3,670
		<hr/>
	\$	11,010

- (c) In connection with its operations, Engineers Canada regularly enters into agreements for the purchase of various supplies and services including the rental of equipment and facilities. Certain of these agreements extend beyond the end of the 2015 fiscal year. In the opinion of management, these agreements are in the normal course of Engineers Canada's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.
- (d) Engineers Canada has entered into contracts with various hotels related to Engineers Canada's events during the 2015 year. These contracts are in the normal course of Engineers Canada's operations and as of December 31, 2015 Engineers Canada would be responsible for approximately \$191,792 (2014 \$397,254) of liquidated damages if all of the contracts were to be terminated. These liquidated damages would serve to compensate the hotels for estimated losses based on room and food and beverage revenues.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

11. Affinity and insurance programs:

The Engineers Canada is a party to a number of agreements with financial services companies. Under these agreements Engineers Canada derives revenues, referred to in these financial statements as affinity programs revenues, based on the purchase of goods and services by the members of Engineers Canada's various provincial and territorial member associations.

These agreements have varying terms and conditions as well as varying termination dates and methods, some of which have fixed expiry dates with renewal options and some of which are on-going until terminated with notice by either party.

The two most significant agreements account for 87% of the 2015 (2014 86%) affinity programs revenues and have the following terms:

- twelve-year term expiring December 2019 with automatic five year renewals until terminated by either party with 180 days notice prior to the end of any such period which accounts for 61% of the 2015 (2014 59%) affinity programs revenues; and
- on-going with no fixed expiry date which accounts for 26% of the 2015 (2014 27%) affinity programs revenues.

12. Other income:

	2015	2014
Accreditation income	\$ 6,272	\$ 24,059
National Group benefit premiums	-	77,283
Interest income	1,686	8,515
Rent revenue	5,211	-
Other revenue	60,640	47,771
	<u>\$ 73,809</u>	<u>\$ 157,628</u>

13. Pension plan contributions:

Engineers Canada is the administrator of the Staff Pension Plan for Employees of Engineers Canada, which is a defined contribution plan registered with Financial Services Commission of Ontario. The contributions to the plan for 2015 are \$147,956 (2014 \$130,966), which are included in salaries and benefits expense.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

14. Financial risk management:

Engineers Canada is exposed to various financial risks resulting from both operational and investment activities. Engineers Canada's management addresses the situation by having different related policies such as the Investment Policy, the Reserves Policy, the Financial Commitments and Payment Policy, amongst others. Engineers Canada also outsources the management of its investment portfolio to an outside firm.

(a) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Engineers Canada is exposed to market risk with respect to its investments, as disclosed in note 5.

(b) Foreign currency risk:

Engineers Canada is exposed to foreign currency risk with respect to U.S. currency holdings and investments in U.S. and other foreign equity mutual funds. As at December 31, 2015, \$383 USD (2014 \$239 USD) currency was held along with \$1,401,691 CDN of U.S. Equities Mutual Funds (2014 \$1,451,679 CDN) and \$729,015 CDN of other foreign equities mutual funds (2014 \$671,673 CDN).

(c) Credit and interest and rate risk:

Engineers Canada is exposed to credit and interest rate risk with respect to its interest-bearing investments. The Bond Mutual Funds held by Engineers Canada bear interest at fixed rates and Engineers Canada is therefore, exposed to the risk resulting from interest rate fluctuations. As at December 31, 2015, \$1,901,983 of Bond Mutual Funds (2014 \$1,959,714) were held. Engineers Canada's other financial assets and financial liabilities do not bear significant amounts of interest at fixed rates and therefore do not comprise any significant interest rate risk exposure to Engineers Canada. Engineers Canada does not use derivative financial instruments to reduce its interest rate risk exposure.

(d) Liquidity risk:

Liquidity risk is the risk that Engineers Canada will be unable to fulfill its obligations on a timely or cost effective manner. Engineers Canada manages its liquidity risk by monitoring its operating requirements. Engineers Canada prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2014.

ENGINEERS CANADA

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2015

15. Comparative information:

Certain 2014 comparative information has been reclassified to conform to the financial statement presentation adopted for 2015.

Engineers Canada Budget 2016

The Budget requires approval by the Board by a majority of two-thirds of the votes cast in accordance with the By-law (Article 5.7(b)).

RESERVES

Board policy GP-14 Reserve Funds requires that the total of all reserve funds must not become so large as to threaten the not-for-profit status of Engineers Canada, nor to give the Regulators' reason to question whether member assessments are excessive. (Note the assessment rate has been \$10.21/registrant since 2006. The target for the 2016 to 2019 period is to have expenses exceeding revenues by up to \$500,000/year.

Component	GP-14 Reserve Funds requirements	2015 Year-end (Unaudited)	2016 Year-end Target
Four-year rolling operational reserve target level	\$4,000,000	\$4,000,000	\$4,000,000
Office Lease	The capital reserve must be held at a level sufficient to enable fit-up of leased facilities and other related assets at the expiry of the office lease.	\$0 Note: lease extends to June 2026	\$0
The legal and liability contingency reserve target level	\$1,325,000	\$1,325,000	\$1,325,000
Invested in Capital Assets		\$1,291,000	\$2,800,000
Unrestricted		\$2,070,000	\$1,000,000

MOTIONS FOR CONSIDERATION

- a) THAT the 2016 Operational Budget of \$10.6 million in revenue and \$11.1 million in expenses be approved.
- b) THAT the 2016 Capital Budget of \$1 million be approved.
- c) THAT the following parameters for the 2017 Operational Budget be approved
 - Expenses not to exceed revenues by more than \$500,000
 - Per capital assessment to remain at \$10.21/registrant.

Operating Budget 2016 with comparative information for 2015 & 2014

Budget for Year ended

December 31, 2016, with comparative information for 2015 & 2014

	2016 Budget	2015 Forecast	2014 Actual
Revenue:			
Regulator Assessment	2,930,496	2,836,879	2,746,163
Affinity and insurance	6,100,000	5,200,087	4,901,120
Investment	203,000	285,255	783,894
Funded Project	493,000	138,871	125,000
Secondary Pro. Liability Insurance	683,515	683,408	706,576
Other	189,989	274,740	179,394
	<u>10,600,000</u>	<u>9,419,240</u>	<u>9,442,147</u>
Expenses:			
Board and Board Committees	1,492,696	1,254,244	1,142,627
Executive Office	1,246,004	1,182,304	1,049,521
Operations and Projects	2,403,058	2,476,405	2,206,991
Regulatory Affairs	2,648,108	1,864,165	1,771,786
Strategy and Partnership	2,626,20	2,256,4,15	2,539,975
Secondary Pro. Liability Insurance	683,515	683,408	179,394
	<u>11,100,000</u>	<u>9,716,940</u>	<u>9,417,475</u>
Excess (deficiency) of revenue over expenses	<u><u>-\$500,000</u></u>	<u><u>-\$297,700</u></u>	<u><u>\$24,672</u></u>

2015 and 2014 expenses are re-aligned with 2016 Organization structure. Secondary Professional Liability Insurance expense is grouped with Strategy and Partnerships.

ENDS View – 2016 Budget

E-1 Regulatory Excellence	52%	\$ 5,735,000
E-2 Confidence in the Profession	23%	\$ 2,590,000
E-3 Sustainability of the Profession	21%	\$ 2,343,333
E-4 Protection of the Engineering Term	4%	\$ 431,667
E - Engineers Canada's Purpose	100%	\$ 11,100,000

Type of Expense View

	2016 Budget	2015 Forecast	2014 Actual
Employee Expenses	5,192,448	4,682,213	4,373,563
Business Expenses	2,672,176	1,790,111	2,148,863
Meetings & Volunteers	1,705,130	1,496,307	1,374,546
Facilities & Administration	877,734	1,202,665	848,249
Communications	652,512	545,642	672,255
Total	11,100,000	9,716,939	9,417,476

Business Expenses are costs other than the four specific types. They include funded programs, insurance, professional and consulting fees, secondary professional liability insurance, sponsorships and awards.

Capital Budget

ASSET TYPE	2015 Budget	Est. Actual	Variance (over)	2016 Budget
Office Furniture and Office Equipment	\$ 413,000	\$ 128,971	\$ 284,029	\$ 47,125
Projects:	\$ 1,678,797	\$ 146,098	\$ 1,532,699	\$ 833,783
Computers and Hardware	\$ 80,150	\$ 53,134	\$ 27,016	\$ 86,800
Software	\$ 34,000	\$ 8,603	\$ 25,397	\$ 31,600
Leasehold Improvements (Including workstations)	\$ 500,000	\$ 558,560	\$ (58,560)	\$ 10,000
TOTAL 2016 CAPITAL EXPENDITURE PLAN	\$ 2,705,947	\$ 895,366	\$ 1,810,581	\$ 1,009,308

Note in 2015 workstations (office cubicals) originally budgeted as furniture are grouped with leasehold improvements and amortized over the life of lease.