

THE CANADIAN ACADEMY OF ENGINEERING

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

THE CANADIAN ACADEMY OF ENGINEERING

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	
Statements of Operations	3
Statements of Changes in Fund Balances	4
Statements of Financial Position	5
Statements of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Canadian Academy of Engineering

We have audited the accompanying financial statements of The Canadian Academy of Engineering, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011 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 audits. We conducted our audits 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 in our audits 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 Canadian Academy of Engineering as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants, Licensed Public Accountants

Ottawa, Ontario
April 9, 2013

THE CANADIAN ACADEMY OF ENGINEERING

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

3

	General Fund	Endowment Fund	Total 2012	Total 2011 (restated)
REVENUE				
Membership dues	\$ 133,258	\$ -	\$ 133,258	\$ 121,640
Investment	32,424	-	32,424	23,705
Loss on disposal of investments	(10,418)	-	(10,418)	-
Unrealized gains on investments	1,175	-	1,175	8,528
	156,439	-	156,439	153,873
Trottier Energy Futures Project	39,289	-	39,289	22,832
Energy Pathways	41,400	-	41,400	-
Sponsors	49,295	-	49,295	58,000
Donations	-	18,478	18,478	18,217
Annual meeting and other revenue	6,444	-	6,444	6,238
Local section	250	-	250	-
	293,117	18,478	311,595	259,160
EXPENSES				
Operations	125,672	-	125,672	109,543
Annual general meeting and seminar	39,234	-	39,234	40,198
Communications and office expenses	21,164	-	21,164	20,747
Rent and parking	18,341	-	18,341	19,434
Travel and meetings	8,235	-	8,235	10,606
Reports and publications	2,557	-	2,557	6,779
Associations	4,597	-	4,597	4,538
Promotion and external relations	1,046	-	1,046	1,265
Strategic plan	416	-	416	75
Professional fees	4,158	-	4,158	7,541
Interest and service charges	307	-	307	-
	225,727	-	225,727	220,726
Trottier Energy Futures Project	39,289	-	39,289	22,832
Energy Pathways	46,279	-	46,279	813
	311,295	-	311,295	244,371
EXCESS OF REVENUE OVER EXPENSES				
	\$ (18,178)	\$ 18,478	\$ 300	\$ 14,789

THE CANADIAN ACADEMY OF ENGINEERING

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

4

	General Fund	Endowment Fund	Total 2012	Total 2011 (restated)
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	\$ (45,681)	\$ 616,365	\$ 570,684	\$ 562,820
Prior years adjustments (Note 2)	15,034	-	15,034	8,109
Restated	(30,647)	616,365	585,718	570,929
Excess of revenue over expenses	(18,178)	18,478	300	14,789
BALANCE, END OF YEAR	\$ (48,825)	\$ 634,843	\$ 586,018	\$ 585,718

THE CANADIAN ACADEMY OF ENGINEERING

STATEMENTS OF FINANCIAL POSITION


DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

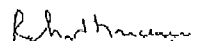
5

	General Fund	Endowment Fund	Total 2012	Total 2011 (restated)	January 1, 2011 (restated)
ASSETS					
CURRENT ASSETS					
Cash	\$ 21,090	\$ 3,665	\$ 24,755	\$ 68,395	\$ 62,023
Accounts receivable	67,975	-	67,975	15,395	7,788
Interfund receivable (payable), without interest	(38,949)	38,949	-	-	-
Prepaid expenses	1,107	-	1,107	1,367	500
Current portion of investments (Note 5)	-	-	-	30,759	25,282
	51,223	42,614	93,837	115,916	95,593
INVESTMENTS (Note 5)	-	592,229	592,229	568,059	529,108
	\$ 51,223	\$ 634,843	\$ 686,066	\$ 683,975	\$ 624,701
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,143	\$ -	\$ 9,143	\$ 15,063	\$ 7,746
Deferred revenue (Note 6)	90,905	-	90,905	83,194	46,026
	100,048	-	100,048	98,257	53,772
FUND BALANCES					
Unrestricted	(48,825)	-	(48,825)	(30,647)	(27,219)
Internal Restrictions	-	634,843	634,843	616,365	598,148
	(48,825)	634,843	586,018	585,718	570,929
	\$ 51,223	\$ 634,843	\$ 686,066	\$ 683,975	\$ 624,701

Commitment (Note 8)

ON BEHALF OF THE BOARD

 _____, Director

 _____, Director

THE CANADIAN ACADEMY OF ENGINEERING

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

6

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 300	\$ 14,789
Adjustment for:		
Unrealized gain on investments	(1,175)	(8,528)
	(875)	6,261
Net change in non-cash working capital items:		
Accounts receivable	(52,580)	(7,607)
Prepaid expenses	260	(867)
Accounts payable and accrued liabilities	(5,920)	7,317
Deferred revenue	7,711	37,168
	(51,404)	42,272
INVESTING ACTIVITY		
Change in investments	7,764	(35,900)
INCREASE (DECREASE) IN CASH	(43,640)	6,372
CASH, BEGINNING OF YEAR	68,395	62,023
CASH, END OF YEAR	\$ 24,755	\$ 68,395

THE CANADIAN ACADEMY OF ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

7

1. STATUTE AND NATURE OF OPERATIONS

The Canadian Academy of Engineering (the Academy), a private corporation without share capital incorporated under the Canada Corporations Act, recognizes engineering achievements and service to the profession. The Academy is a charitable organization and, as such, is exempt from income taxes.

2. PRIOR YEARS ADJUSTMENTS

The Academy restated its financial statements in order to correct an understatement error of \$15,034 in the Trottier Energy Futures Project revenue in 2011 and 2010. As a result, the General Fund as at January 1, 2012 has been increased by \$15,034, which represents the understatement of overhead expenses in the amount of \$6,925 in 2011 and \$8,109 in 2010 as well as the overstatement of the deferred revenue in the same amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and include the following significant accounting policies:

Fund accounting

The fund method of accounting is employed to allocate the various restrictions imposed upon the Academy. The funds are described as follows:

General Fund

This fund serves to record the day-to-day operations of the activities under the control of the Academy. The funds in this category have no external restrictions on the use of the capital.

Endowment Fund

This fund was created to segregate donations received and to finance the future operations of the Academy. The investment income earned by the Fund is recorded as revenue in the General Fund.

Use of estimates

The preparation of financial statements in compliance with the ASNFPO 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 period. Actual amounts could differ from these estimates.

THE CANADIAN ACADEMY OF ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

8

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Academy follows the deferral method of accounting for restricted revenue. Restricted revenue is recognized only when all of the significant foreseeable expenses related to the revenue source have been incurred in a year. Otherwise, such revenue is deferred until the related expenses have been incurred.

Life membership dues are deferred and taken into income over a five-year period. Investment income and unrestricted revenue are recognized when earned.

Allocation of common costs

The Academy allocates a portion of its contractuals, salaries and benefits costs according to the budget. These costs are included under the operations category.

Financial instruments

Measurement of financial instruments

The Academy initially measures all its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Academy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

Transaction costs

The Academy recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

THE CANADIAN ACADEMY OF ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

9

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

The Academy would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the inherent difficulty in compiling these hours and determining their fair value, contributed services are not recognized in the financial statements.

Capital assets

Additions to capital assets during the year are fully expensed in the year of acquisition. There were no capital assets additions in the year ended December 31, 2012.

4. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The Academy has elected to apply the ASNFPO. These financial statements are the first statements for which the Academy has applied the ASNFPO.

The financial statements for the year ended December 31, 2012 were prepared in accordance with the ASNFPO and provisions set out in Section 1501, "First-time-adoption by not-for-profit organizations", for first-time adopters of this basis of accounting. Adopting these standards did not have any impact on the fund balances at the date of transition of January 1, 2011.

5. INVESTMENTS – ENDOWMENT FUND

	2012	2011	January 1, 2011
Fixed income securities – 5.474% to 8.812%, maturing from December 2049 to December 2053	\$ 94,707	\$ 235,578	\$ 260,149
Income trusts and other equity securities	292,329	232,842	160,266
Mutual funds	205,193	130,398	133,975
	592,229	598,818	554,390
Current portion of investments	-	30,759	25,282
	\$ 592,229	\$ 568,059	\$ 529,108

THE CANADIAN ACADEMY OF ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

10

6. DEFERRED REVENUE

The deferred operating revenue reported in the General Fund represents restricted operating funding that is related to the subsequent year.

	2012	2011	January 1, 2011
BALANCE, BEGINNING OF YEAR	\$ 83,194	\$ 46,026	\$ -
Less: Amount recognized as revenue in the year	(39,289)	(22,832)	(13,974)
Plus: Amount received for the subsequent year	47,000	60,000	60,000
BALANCE, END OF YEAR	\$ 90,905	\$ 83,194	\$ 46,026

7. ALLOCATION OF COMMON COSTS

Total contractual, salaries and benefits transferred to the Trottier Energy Futures Project and Energy Pathways Project are respectively \$39,289 and \$4,800 (2011: \$14,335 and \$-).

8. COMMITMENT

The commitment entered into by the Academy under a lease agreement for the next year is \$12,795.