

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

DRAFT

Independent Auditors' Report
Statement of Financial Position
Statement of Revenue and Expenses and
Statement of Changes in Fund Balances
Statement of Cash Flows
Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Directors of:
The Canadian Academy of Engineering

Report on the Financial Statements

We have audited the accompanying financial statements of The Canadian Academy of Engineering, which comprise the statement of financial position at December 31, 2015, and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Some project expenditures related to the 2014 fiscal year were paid during the 2015 fiscal year on a cash basis due to the timing of their receipt. This is not in accordance with the accrual basis of accounting that is required by Canadian generally accepted accounting principles. The total of the expenditures accounted for on a cash basis at the beginning of the fiscal year were approximately \$70,785. Had these expenditures been recorded on an accrual basis, the adjustment to the 2015 audited financial statements as presented would see a decrease in total expenditures and a corresponding decrease of recognized deferred revenue of approximately \$70,785. The 2014 comparative financial statements would be restated to increase expenditures as well as a corresponding increase of recognized deferred revenues by \$70,785. The net effect on net income over the 2014 and 2015 period would have been nil due to the recognizing of deferred revenues in relation to project expenses incurred.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Canadian Academy of Engineering as at December 31, 2015 and the results of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Other

The financial statements of the prior period were audited by a previous auditor. The auditor expressed an unqualified opinion and the audit report was dated April 17, 2015.

Licensed Public Accountants
Ottawa, ON
To be dated upon approval

DRAFT

THE CANADIAN ACADEMY OF ENGINEERING
THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

| | Endowment Fund | General Fund | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|---------------------|
| CURRENT ASSETS | | | | |
| Cash | \$ 0 | \$ 156,924 | \$ 156,924 | \$ 398,877 |
| HST rebate receivable | 0 | 42,015 | 42,015 | 43,782 |
| Prepaid expenses | 0 | 2,274 | 2,274 | 85 |
| Current portion of investments (Note 3) | 150,000 | 0 | 150,000 | 100,000 |
| Due from General Fund | <u>42,194</u> | <u>0</u> | <u>42,194</u> | <u>15,990</u> |
| | 192,194 | 201,213 | 393,407 | 558,734 |
| INVESTMENTS (Note 3) | <u>479,997</u> | <u>0</u> | <u>479,997</u> | <u>449,516</u> |
| TOTAL ASSETS | <u>\$ 672,191</u> | <u>\$ 201,213</u> | <u>\$ 873,404</u> | <u>\$ 1,008,250</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable & accrued liabilities (Note 4) | \$ 0 | \$ 43,028 | \$ 43,028 | \$ 20,863 |
| Deferred revenue (Note 5) | 0 | 29,301 | 29,301 | 247,958 |
| Due to Endowment Fund | <u>0</u> | <u>42,194</u> | <u>42,194</u> | <u>15,990</u> |
| TOTAL LIABILITIES | <u>0</u> | <u>114,523</u> | <u>114,523</u> | <u>284,811</u> |
| NET ASSETS | | | | |
| Internally restricted | 672,191 | 0 | 672,191 | 662,530 |
| Unrestricted | <u>0</u> | <u>86,690</u> | <u>86,690</u> | <u>60,909</u> |
| TOTAL NET ASSETS | <u>672,191</u> | <u>86,690</u> | <u>758,881</u> | <u>723,439</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 672,191</u> | <u>\$ 201,213</u> | <u>\$ 873,404</u> | <u>\$ 1,008,250</u> |

APPROVED ON BEHALF OF THE BOARD :

Director _____

Director  _____

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | Endowment Fund | General Fund | 2015 | 2014 |
|---|-------------------|------------------|------------------|------------------|
| REVENUE | | | | |
| Membership dues | \$ 0 | \$ 179,861 | \$ 179,861 | \$ 166,020 |
| TEFP - Phase 1 - Completion | 0 | 561,587 | 561,587 | 490,674 |
| Sponsors | 0 | 62,750 | 62,750 | 56,000 |
| Donations | 9,661 | 0 | 9,661 | 12,077 |
| Annual meetings and other revenue | 0 | 9,142 | 9,142 | 6,337 |
| Investment income | 0 | 18,756 | 18,756 | 20,132 |
| Loss on disposal of investments | 0 | (1,099) | (1,099) | (1,898) |
| Unrealized losses on investments | 0 | (23,782) | (23,782) | (14,252) |
| TOTAL REVENUE | <u>9,661</u> | <u>807,215</u> | <u>816,876</u> | <u>735,090</u> |
| EXPENSES | | | | |
| Operations | 0 | 215,216 | 215,216 | 161,602 |
| Portion of operations allocated to projects (Note 6) | 0 | (67,751) | (67,751) | (64,001) |
| | <u>0</u> | <u>147,465</u> | <u>147,465</u> | <u>97,601</u> |
| Annual general meeting and seminar | 0 | 18,310 | 18,310 | 17,907 |
| Communications and office expense | 0 | 15,491 | 15,491 | 22,330 |
| Rent and parking | 0 | 16,576 | 16,576 | 17,503 |
| Travel and meetings | 0 | 5,851 | 5,851 | 4,497 |
| Reports and publications | 0 | 874 | 874 | 640 |
| Associations | 0 | 4,211 | 4,211 | 4,881 |
| Promotion and external relations | 0 | 1,123 | 1,123 | 5 |
| Strategic plan | 0 | 0 | 0 | 1,014 |
| Professional fees | 0 | 5,651 | 5,651 | 15,768 |
| Interest and bank charges | 0 | 4,295 | 4,295 | 3,074 |
| | <u>0</u> | <u>219,847</u> | <u>219,847</u> | <u>185,220</u> |
| TEFP - Phase 1 Completion | 0 | 561,587 | 561,587 | 490,674 |
| Energy Pathways | 0 | 0 | 0 | 4,158 |
| | <u>0</u> | <u>561,587</u> | <u>561,587</u> | <u>494,832</u> |
| TOTAL EXPENSES | <u>0</u> | <u>781,434</u> | <u>781,434</u> | <u>680,052</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$ 9,661</u> | <u>\$ 25,781</u> | <u>\$ 35,442</u> | <u>\$ 55,038</u> |

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | Endowment Fund | General Fund | 2015 | 2014 |
|---------------------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| Balance, beginning of the year | \$ 662,530 | \$ 60,909 | \$ 723,439 | \$ 668,401 |
| Excess of revenue over expense | <u>9,661</u> | <u>25,781</u> | <u>35,442</u> | <u>55,038</u> |
| Balance, end of the year | <u>\$ 672,191</u> | <u>\$ 86,690</u> | <u>\$ 758,881</u> | <u>\$ 723,439</u> |

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2015 | 2014 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year | \$ 35,442 | \$ 55,038 |
| Cash flows from current operating items | <u>(196,914)</u> | <u>(32,278)</u> |
| | <u>(161,472)</u> | <u>22,760</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in investments | <u>(80,481)</u> | <u>(156,536)</u> |
| INCREASE (DECREASE) IN CASH AND EQUIVALENTS | (241,953) | (133,776) |
| CASH AND EQUIVALENTS, beginning of year | <u>398,877</u> | <u>532,653</u> |
| CASH AND EQUIVALENTS, end of year | <u>\$ 156,924</u> | <u>\$ 398,877</u> |
| REPRESENTED BY | | |
| Cash | <u>\$ 156,924</u> | <u>\$ 398,877</u> |

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. 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.

b. Revenue recognition

The Canadian Academy of Engineering follows the deferral method of accounting for restricted revenue. Restricted revenue is recognized as revenue 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 in to revenue over a five-year period. Investment income and unrestricted revenue are recognized when earned.

c. Allocation of common costs

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

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

d. Financial instruments

Measurement of financial instruments

The Academy initially measures all its financial assets and financial 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 operations.

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 cost are tested for impairment when there are indicators of possible impairment. The Academy determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Academy recognizes its transaction costs in operations in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

e. 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.

f. Capital assets

Additions to capital assets during the year are fully expensed in the year of acquisition. There were no capital asset additions in the year.

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. INVESTMENTS

| | 2015 | 2014 |
|---|--------------------------|--------------------------|
| Fixed income securities - 0.95% to 2.11%, maturing from March 2016 to October 2019 | \$ 302,847 | \$ 342,678 |
| Income trust and other equity securities | 319,090 | 169,516 |
| Mutual funds | <u>8,060</u> | <u>37,322</u> |
| | \$ 629,997 | \$ 549,516 |
| Less: current portion of investments | <u>\$ 150,000</u> | <u>\$ 100,000</u> |
| TOTAL | <u>\$ 479,997</u> | <u>\$ 449,516</u> |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include amounts owing for government remittances for \$2,152 (2014 - \$1,108).

5. DEFERRED REVENUE

The deferred operating revenue represents membership fees collected which pertain to the upcoming year, as well as restricted operating funding for projects for which the related costs are to be incurred in the subsequent year.

| | 2015 | 2014 |
|--|-------------------------|--------------------------|
| Deferred Memberships | \$ <u>9,000</u> | \$ <u>410</u> |
| Deferred project revenue, beginning of year | 247,548 | 214,202 |
| Less: amount recognized as revenue in the year | (561,587) | (490,674) |
| Plus: amounts received in the year | <u>334,340</u> | <u>524,020</u> |
| Deferred project revenue, end of year | <u>20,301</u> | <u>247,548</u> |
| TOTAL | <u>\$ 29,301</u> | <u>\$ 247,958</u> |

6. ALLOCATION OF COMMON COSTS

Total contractual, salaries and benefits transferred to the Trottier Energy Futures Project are \$67,751 (2014: \$64,001).

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. CONTRACTUAL OBLIGATIONS

The Academy has a commitment under a lease agreement to pay \$901 plus tax per month until October 2018.

8. ENERGY PATHWAYS PROJECT

In previous years, the Energy Pathways Project had generated a cumulative deficit of \$12,509. The Academy had absorbed the deficit incurred for this project in the prior year.

9. COMPARATIVE FIGURES

The prior year comparative figures have been reclassified to conform to this year's presentation.

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