

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Independent Auditor's 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, 2016, 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 prior fiscal year were paid during the current 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 \$24,966. Had these expenditures been recorded on an accrual basis, the adjustment to the current audited financial statements as presented would see a decrease in total expenditures of \$24,966 and a corresponding decrease of recognized deferred revenue of approximately \$20,301. The comparative financial statements would be restated to increase expenditures by \$24,966, and increase corresponding recognized deferred revenues by \$20,301. The net effect on the excess of revenues over expenditures in the prior year would be a decrease of \$4,665 and in the current year it would be an increase of \$4,665.

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

FROUIN GROUP

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, 2016 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.



Frouin Group Professional Corporation
Ottawa, ON
June 19, 2017



Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Endowment Fund	General Fund	2016	2015
CURRENT ASSETS				
Cash	\$ 0	\$ 140,151	\$ 140,151	\$ 156,924
HST rebate receivable	0	18,077	18,077	42,015
Prepaid expenses	0	3,161	3,161	2,274
Current portion of investments (Note 3)	50,000	0	50,000	150,000
Due from General Fund	<u>8,311</u>	<u>0</u>	<u>8,311</u>	<u>42,194</u>
	58,311	161,389	219,700	393,407
INVESTMENTS (Note 3)	<u>623,044</u>	<u>0</u>	<u>623,044</u>	<u>479,997</u>
TOTAL ASSETS	<u>\$ 681,355</u>	<u>\$ 161,389</u>	<u>\$ 842,744</u>	<u>\$ 873,404</u>
CURRENT LIABILITIES				
Accounts payable & accrued liabilities (Note 4)	\$ 0	\$ 9,845	\$ 9,845	\$ 43,028
Deferred revenue (Note 5)	0	15,771	15,771	29,301
Due to Endowment Fund	<u>0</u>	<u>8,311</u>	<u>8,311</u>	<u>42,194</u>
TOTAL LIABILITIES	<u>0</u>	<u>33,927</u>	<u>33,927</u>	<u>114,523</u>
NET ASSETS				
Internally restricted	681,355	0	681,355	672,191
Unrestricted	<u>0</u>	<u>127,462</u>	<u>127,462</u>	<u>86,690</u>
TOTAL NET ASSETS	<u>681,355</u>	<u>127,462</u>	<u>808,817</u>	<u>758,881</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 681,355</u>	<u>\$ 161,389</u>	<u>\$ 842,744</u>	<u>\$ 873,404</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, 2016

	Endowment Fund	General Fund	2016	2015
REVENUE				
Membership dues	\$ 0	\$ 187,191	\$ 187,191	\$ 179,861
TEFP - Phase 1 - Completion	0	20,301	20,301	561,587
CCA Partnership (Note 8)	0	36,995	36,995	0
Sponsors	0	37,125	37,125	62,750
Donations	9,164	0	9,164	9,661
Annual meetings and other revenue	0	5,704	5,704	9,142
Investment income	0	17,910	17,910	18,756
Loss on disposal of investments	0	0	0	(1,099)
Unrealized gains (losses) on investments	<u>0</u>	<u>34,616</u>	<u>34,616</u>	<u>(23,782)</u>
TOTAL REVENUE	<u>9,164</u>	<u>339,842</u>	<u>349,006</u>	<u>816,876</u>
EXPENSES				
Operations	0	168,439	168,439	215,216
Portion of operations allocated to projects (Note 6)	<u>0</u>	<u>(5,335)</u>	<u>(5,335)</u>	<u>(67,751)</u>
	<u>0</u>	<u>163,104</u>	<u>163,104</u>	<u>147,465</u>
Annual general meeting and seminar	0	23,716	23,716	18,310
Communications and office expense	0	12,327	12,327	15,491
Rent and parking	0	15,147	15,147	16,576
Travel and meetings	0	8,985	8,985	5,851
Reports and publications	0	976	976	874
Associations	0	5,380	5,380	4,211
Promotion and external relations	0	22	22	1,123
Professional fees	0	5,717	5,717	5,651
Interest and bank charges	<u>0</u>	<u>4,973</u>	<u>4,973</u>	<u>4,295</u>
	0	240,347	240,347	219,847
TEFP - Phase 1 Completion	<u>0</u>	<u>58,723</u>	<u>58,723</u>	<u>561,587</u>
TOTAL EXPENSES	<u>0</u>	<u>299,070</u>	<u>299,070</u>	<u>781,434</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 9,164</u>	<u>\$ 40,772</u>	<u>\$ 49,936</u>	<u>\$ 35,442</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, 2016

	Endowment Fund	General Fund	2016	2015
Balance, beginning of the year	\$ 672,191	\$ 86,690	\$ 758,881	\$ 723,439
Excess of revenue over expense	<u>9,164</u>	<u>40,772</u>	<u>49,936</u>	<u>35,442</u>
Balance, end of the year	<u>\$ 681,355</u>	<u>\$ 127,462</u>	<u>\$ 808,817</u>	<u>\$ 758,881</u>

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 49,936	\$ 35,442
Cash flows from current operating items	<u>(23,662)</u>	<u>(196,914)</u>
	<u>26,274</u>	<u>(161,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	<u>(43,047)</u>	<u>(80,481)</u>
INCREASE (DECREASE) IN CASH	(16,773)	(241,953)
CASH, beginning of year	<u>156,924</u>	<u>398,877</u>
CASH, end of year	<u>\$ 140,151</u>	<u>\$ 156,924</u>
REPRESENTED BY		
Cash	<u>\$ 140,151</u>	<u>\$ 156,924</u>

(See accompanying Notes to Financial Statements)

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 restricted 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, 2016

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.

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.

3. INVESTMENTS

	2016	2015
Fixed income securities - 1.78% to 2.25%, maturing from May 2017 to May 2020	\$ 252,582	\$ 302,847
Income trust and other equity securities	353,972	319,090
Mutual funds	<u>66,490</u>	<u>8,060</u>
	\$ 673,044	\$ 629,997
Less: current portion of investments	<u>\$ 50,000</u>	<u>\$ 150,000</u>
TOTAL	<u>\$ 623,044</u>	<u>\$ 479,997</u>

THE CANADIAN ACADEMY OF ENGINEERING
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include amounts owing for government remittances for \$1,292 (2015 - \$2,152).

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.

	2016	2015
Deferred Memberships	\$ <u>15,771</u>	\$ <u>9,000</u>
Deferred project revenue, beginning of year	20,301	247,548
Less: amount recognized as revenue in the year	(20,301)	(561,587)
Plus: amounts received in the year	<u>0</u>	<u>334,340</u>
Deferred project revenue, end of year	<u>0</u>	<u>20,301</u>
TOTAL	\$ <u>15,771</u>	\$ <u>29,301</u>

6. ALLOCATION OF COMMON COSTS

Total contractual, salaries and benefits transferred to the Trottier Energy Futures Project are \$5,335 (2015: \$67,751).

7. CONTRACTUAL OBLIGATIONS

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

At year end, the Academy had signed a contract for the Executive Director's services for a period from January 1, 2017 to December 31, 2020.

The Academy has a contract in place with the Hampton Inn Ottawa by Hilton for their 2017 AGM. A deposit is currently in place, but in the event of the contract being cancelled after May 25, 2017, the Academy will be liable for cancellation fees of approximately \$10,500 plus tax.

8. RELATED PARTY TRANSACTIONS

The Academy currently is a part of a collaboration agreement with two other organizations, with whom it jointly operates The Council of Canadian Academies. During the year, the Academy received \$36,995 from the Council of Canadian Academies for amounts covered by the collaboration agreement.