



Management's Responsibility > For Financial Reporting

Kingston Ross Pasnak LLP
Chartered Accountants

Dear Sirs:

In connection with your audit of the financial statements of The Association of Professional Engineers, Geologists and Geophysicists of Alberta (the "Association") for the period ended December 31, 2006, we hereby confirm that to the best of our knowledge and belief:


- 1) We are responsible for the fair presentation of the financial statements of the Association prepared in accordance with Canadian generally accepted accounting principles.
- 2) We understand that your audit was made in accordance with Canadian generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances for the purpose of expressing an opinion on the financial statements. We also understand that such an audit would not necessarily disclose irregularities, should there be any.
- 3) We understand that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error. There have been no irregularities involving management, employees who have significant roles in the system of internal control or others that could have a material effect on the financial statements.
- 4) We are not aware of any illegal acts or possibly illegal acts for which we have disclosed to you all facts related thereto.
- 5) We are unaware of any violations or possible violations of laws or regulations that could have an effect on the financial statements or for which we have not disclosed to you all the facts related thereto.
- 6) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 7) We have disclosed to you all significant facts relating to any fraud or suspected fraud known to management.
- 8) We have not received any communications from taxation authorities concerning assessments or reassessments that could have a material effect on the financial statements.
- 9) There have been no allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 10) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 11) We have made available to you all:
 - financial records and related data
 - minutes of the meetings of Council and the Audit Committee.
- 12) The financial statements of the Association:
 - (a) present on a fair and consistent basis all assets and all known liabilities of the Association at the period end;
 - (b) fairly reflect and summarize on a consistent basis the results of all transactions entered into by the Association during the period.
 - (c) segregate, where required, all transactions between, and all balances due to and from, the Association and its (Councilors, officers, etc.) and their immediate families, affiliates and all other related parties.
 - (d) record only those assets to which the Association has title and reflect only those transactions properly related to the activities of the Association.
- 13) There are no direct or contingent liabilities, unusual contractual obligations nor any substantial commitments, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the Association, except as disclosed in the financial statements.
- 14) There are no outstanding legal actions or possible claims which have not been provided for or disclosed in the financial statements, with the exception of the action filed in May, 2000 by Mr. Neville Hircock, P.Eng., against APEGGA, A.J. Schuld and D.S. McIntosh.
- 15) We have disclosed to you all significant customers and/or suppliers of the Association who individually represent a significant volume of transactions with our Association. We are of the opinion that the volume of transactions (sales,

Management's Responsibility For Financial Reporting

services, purchases, borrowing and lending) done by the Association with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the Association.

- 16) The minute books of the Association are a complete record of all meetings and resolutions of Council, finance committee, audit committee and Councilors throughout the period and to the present date.
- 17) There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 18) No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.
- 19) Summary of Unadjusted Differences
The financial statements are free of material errors and omissions. Except as noted in the attached "Summary of Unadjusted Differences", all transactions have been properly recorded in the accounting records underlying the financial statements. We believe the effects of these uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the current year are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 20) Environmental Liabilities:
We are aware of the environmental laws and regulations that impact on our Association and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.
- 21) Related Parties:
There have been no exchanges of goods or services with any related party for which appropriate accounting recognition and financial statement disclosure has not been given.
- 22) Adjusting Journal Entries:
We have reviewed the year-end adjusting entries, including those recommended by Kingston Ross Pasnak LLP, and acknowledge our responsibility for their accuracy.

Yours truly



Deputy Registrar — APEGGA

February 20, 2007

Date Signed

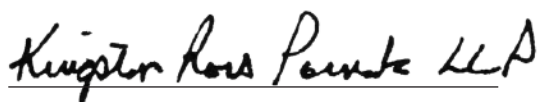
Auditor's Report

To the members of
The Association of Professional Engineers,
Geologists and Geophysicists of Alberta:

We have audited the statement of financial position of The Association of Professional Engineers, Geologists and Geophysicists of Alberta as at December 31, 2006, and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2006, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Kingston Ross Pasnak LLP
Chartered Accountants

Edmonton, Alberta
January 29, 2007





Statement of Financial Position

As at December 31

ASSETS

	2006	2005
CURRENT ASSETS		
Cash	\$859,065	\$2,191,735
Accounts receivable	621,905	403,999
Prepaid expenses	93,549	85,662
	1,574,519	2,681,396
CAPITAL ASSETS (Note 3)	1,185,274	1,186,357
INVESTMENTS (Note 4)	6,451,159	4,363,899
	\$9,210,952	\$8,231,652

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$360,930	\$629,668
Prepaid member dues and fees	4,800,647	3,987,010
	5,161,577	4,616,678
DEFERRED PENSION CONTRIBUTIONS (Note 5)	466,000	350,000
DEFERRED LEASE INDUCEMENT (Note 2)	239,213	276,178
	5,866,790	5,242,856
NET ASSETS		
Unrestricted	2,158,888	1,802,439
Invested in capital assets	1,185,274	1,186,357
	3,344,162	2,988,796
	\$9,210,952	\$8,231,652

Approved on behalf of Council:

President D. Chalcroft, P.Eng.

Executive Director & Registrar H. Neil Windsor, P.Eng.

Statement of Changes in Net Assets

For the year ended December 31

	Invested in Capital Assets	Unrestricted	Total 2006	Total 2005
NET ASSETS, BEGINNING OF YEAR	\$1,186,357	\$1,802,439	\$2,988,796	\$2,674,941
Change in accounting policy with respect to market value change (Note 4)	-	117,634	117,634	-
	1,186,357	1,920,073	3,106,430	2,674,941
Excess of revenues over expenditures	-	237,732	237,732	313,855
Transfers				
Additions to capital assets	301,405	(301,405)	-	-
Amortization of capital assets	(302,488)	302,488	-	-
NET ASSETS, END OF YEAR	\$1,185,274	\$2,158,888	\$3,344,162	\$2,988,796

Statement Of Operations

For the year ended December 31

	2006	2005
REVENUES		
Dues	\$7,708,100	\$7,132,696
General revenue	988,652	811,577
Permit fees	899,544	792,963
Registration fees	876,408	668,792
Examination fees	726,995	520,406
Investment income (Note 4)	408,627	184,513
	11,608,326	10,110,947
EXPENSES		
Salaries, benefits, and pension	4,554,484	3,837,033
General (Schedule A)	2,101,419	1,894,180
Meetings	1,479,666	1,235,502
Office rent and parking	789,605	757,358
Printing and stationery	545,223	465,872
Exam administration	331,104	263,173
Consulting	323,134	357,751
Disciplinary matters	319,055	199,460
Public awareness	311,666	273,934
Amortization of capital assets	302,488	198,056
Office equipment	188,980	197,773
Contributions to The APEGGA Educational Foundation (Note 6)	84,232	88,100
Insurance	39,538	28,900
	11,370,594	9,797,092
EXCESS OF REVENUE OVER EXPENSES	\$237,732	\$313,855

Statement Of Cash Flow

For the year ended December 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members	\$10,807,047	\$9,212,719
Cash received from general revenue	1,058,558	941,083
Cash paid for salaries and benefits	(3,928,468)	(3,339,312)
Cash paid for materials and services	(7,293,479)	(5,850,541)
	643,658	963,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(301,405)	(228,387)
Redemption (purchase) of investments	(1,674,923)	185,386
	(1,976,328)	(43,001)
NET (DECREASE) INCREASE IN CASH	(1,332,670)	920,948
CASH, BEGINNING OF YEAR	2,191,735	1,270,787
CASH, END OF YEAR	\$859,065	\$2,191,735
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	\$312,489	\$2,191,735
Treasury bills	546,576	-
	\$859,065	\$2,191,735

Notes to the

Financial Statements



December 31

1. DESCRIPTION OF BUSINESS

The Association of Professional Engineers, Geologists, and Geophysicists of Alberta (the "Association") is incorporated under the *Engineering, Geological and Geophysical Professions Act of Alberta* with the mission of serving the public interest by regulating the practices of engineering and geosciences in Alberta, by providing the leadership for our professions, and by upholding our members in their professional practices. As a not-for-profit organization under the *Income Tax Act* (Canada), the Association is not subject to either federal or provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of certain assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from these estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Investments

Investments are recorded at market value. The Association's investments consist of fixed income and equity-based instruments held primarily for trading purposes. The investment portfolio is managed by a third party investment manager and is subject to an investment policy set by Council, which has as its main objective the growth and preservation of capital. The fixed income investments which consist of federal, provincial, and corporate bonds are capable of prompt liquidation. The equity-based investments are widely held and diversified and are traded on a regular basis at the discretion of the investment manager.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. The Association provides amortization on its capital assets using the following methods and rates:

	Method	Rate
Audio / Visual Equipment	Straight line	20%
Furniture and Equipment	Straight line	10%
Computer Equipment	Straight line	25%

Leasehold improvements are amortized over the remaining life of the lease.

Pension Costs and Obligations

The Association maintains a defined benefit pension plan for its employees which it accounts for in accordance with standards for employee future benefits. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. The annual pension recovery for accounting purposes is actuarially determined based on the assumptions that reflect management's best estimate of the effect of future events on the actuarial present

value of accrued pension obligations and the valuation of pension plan assets. Net pension assets are amortized over the expected average remaining period of service of the employees covered by the plan.

Revenue Recognition

Dues and permit fees

Dues and permit fees are set annually by Council and are recognized as revenue proportionately over the fiscal year to which they relate.

Registration fees

Registration fees are recognized when received.

Examination fees

Examination fees are recognized when the exam is presented. The liability for the portion of examination fees invoiced but not yet presented is recorded as deferred revenue.

PEGG advertising

PEGG advertising revenue is recognized in the period in which the advertisement is published.

General revenue

Other general revenue is recognized when the related services are provided or goods are shipped.

Investment income

Investment income includes interest, dividends and realized gains and losses on sale of investments, and is recognized when earned.

Unrestricted Net Assets

Council has a policy of maintaining unrestricted net assets within a range of 15% to 20% of its normalized annual operating costs. From time to time the Council may review the reserve if special risks or capital expenditure plans warrant it.

Donated Services

The work of the Association is dependent on the voluntary services of many members. The value of donated services is not recognized in these statements.

Deferred Lease Inducements

Tenant lease inducements are amortized on a straight-line basis over the term of the lease.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are expensed as incurred.

Statement of Cash Flow

The Association is using the direct method in its presentation of the Statement of Cash Flow.

Foreign Currency Transactions

Investments in foreign currencies have been translated into Canadian dollars at year-end exchange rates. Revenues and expenses have been translated at the average rate of exchange during the year. Foreign exchange gains and losses are included in the determination of earnings.

Notes to the Financial Statements

3. CAPITAL ASSETS

			2006	2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$976,121	\$461,268	\$514,853	\$597,944
Computer equipment	596,104	326,186	269,918	119,830
Furniture and equipment	662,448	355,998	306,450	346,405
Audiovisual equipment	239,015	144,962	94,053	122,178
	<u>\$2,473,688</u>	<u>\$1,288,414</u>	<u>\$1,185,274</u>	<u>\$1,186,357</u>

Amortization provided for in the current year totaled \$302,488; (2005 – \$198,056).

4. INVESTMENTS

The Association adopted market value accounting for investments effective January 1, 2006. Management believes the new accounting policy more appropriately depicts investment performance and provides more relevant information. The valuation basis as at December 31, 2005 is cost since generally accepted accounting principles (CICA Handbook Section 3855) preclude restatement of prior years when adopting market valuation for investments. The change in accounting policy resulted in an increase in net assets at January 1, 2006 of \$117,634. The effect of the change for the year ended December 31, 2006 was to increase investment income and excess of revenue over expenditures by \$87,252.

	2006	2005
Marketable Securities:		
Fixed income, with terms between one and eleven years with a weighted average of 4.11 years and yielding a weighted average of 4.70% per annum	\$2,370,207	\$4,039,186
Canadian Equity Funds	1,753,219	–
Term deposit, bearing interest at 2.50% per annum and maturing in the year	1,114,235	315,212
International equity funds	626,045	–
US equity funds	579,609	–
Common Shares - Servus Credit Union	7,844	9,501
	<u>\$6,451,159</u>	<u>\$4,363,899</u>
Quoted market value	<u>\$6,451,159</u>	<u>\$4,481,889</u>

5. PENSION PLAN INFORMATION

	2006	2005
Plan balances at year end are comprised of the following:		
Plan assets	\$7,263,000	\$6,172,000
Accrued benefit obligations	8,258,000	7,131,000
Plan surplus (deficit) at year end	<u>\$(995,000)</u>	<u>\$(959,000)</u>

Pension expense of \$528,000; (2005 – \$371,000) comprises the actuarial value of future pension benefits earned by the employees during the year and the amortization, over the expected average remaining service life of the employees covered by the plan, of experience gains and adjustments arising from plan amendments. In the current year, the cumulative difference between the funding contributions and the amounts expensed is reflected on the statement of financial position as deferred pension contributions.

Contributions to the plan by the Association during the year were \$408,000; (2005 – \$343,000) and by employees were \$149,000; (2005 – \$128,000).

Benefit/termination payments from the plan during the year were \$270,000; (2005 – \$226,000).

The significant long-term actuarial assumptions adopted in measuring the Association's pension benefit obligations include a discount rate of 5.20%; (2005 – 5.40%), return on assets of 6.50%; (2005 – 6.50%) and salary increases of 4.00%; (2005 – 4.00%). The most recent actuarial valuation of the plan for funding purposes was performed December 31, 2004 and the next actuarial valuation will be conducted effective December 31, 2006, one year earlier than required by legislation. This will provide the actual pension status at year-end 2006, allowing management to plan accordingly for funding the deficit.

Notes to the Financial Statements



6. RELATED PARTY TRANSACTIONS

The Association is related to the APEGGA Education Foundation as membership in the Foundation can occur only on the recommendation of the Association's council.

During the year the Association's contributions to the APEGGA Educational Foundation of \$84,232 (2005 - \$88,100) were funded by:

	2006	2005
Summit awards	\$43,750	\$38,650
Direct contributions	40,482	49,450
	\$84,232	\$88,100

7. LEASE COMMITMENTS

The Association is committed to lease agreements relating to its office premises in Edmonton and Calgary, as well as certain office equipment. Minimum lease payment under the agreements are as follows:

2007	1,033,266
2008	1,051,670
2009	1,014,339
2010	1,022,827
2011	955,192
2012 and Thereafter	2,746,748
	\$7,824,042

8. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and prepaid member dues and fees approximate their fair values due to the short-term maturity of these instruments.

Credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of accounts receivable. In the normal course of business, the Association evaluates the financial condition of its members and customers on a continuing basis and reviews the credit

worthiness of all new applicants. Management assesses the need for allowances for potential credit losses by considering the historical trends, and other information.

Interest rate, market and foreign exchange risk

The investments are subject to market, interest and foreign exchange fluctuations and are exposed to interest rate, market price, and foreign exchange risk. The Association does not use derivative financial instruments to alter the effects of market, interest or foreign exchange fluctuations that will effect these investments.

Schedule A – General Expenses

For the year ended December 31

	2006	2005
GENERAL EXPENSES		
National assessment		
CCPE / CCPG	490,187	380,307
Postage	396,987	392,097
Member insurance program	331,945	314,998
Other general expenses	190,620	126,418
Bank and credit card		
service charges	171,042	138,429
Telephone and data line	129,249	122,258
Grants and Scholarships	113,816	145,651
Certificates, diplomas	80,553	61,538
and photos		
Courier	58,869	42,303
Awards	52,658	84,506
Seals and stamps	50,919	41,773
Public Relations	34,574	43,902
	\$2,101,419	\$1,894,180