

2007 Financial Statements



Management's Responsibility For Financial Reporting

The accompanying financial statements of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) and all the information in the annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

APEGGA maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Association's assets are appropriately accounted for and adequately safeguarded.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for the financial statements. Council carries out this responsibility principally through its Audit Committee.

The Audit Committee, which is composed of Council and other members, reviews the annual financial statements contained in the annual report and recommends them to Council for approval. The committee meets with management as well as the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is discharging its responsibilities properly and to review the financial statements and the external auditors' report. The committee also recommends the engagement of the external auditors, which is reviewed by Council and approved by the members.

The financial statements have been audited by Kingston Ross Pasnak LLP Chartered Accountants, in accordance with Canadian generally accepted auditing standards, on behalf of the members. Kingston Ross Pasnak LLP has full and free access to the Audit Committee.



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



Albert J. Schuld, P.Eng.
Deputy Registrar

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, 2007, 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, 2007, 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

January 31, 2008
Edmonton, Alberta

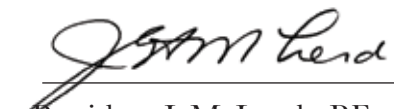



Statement of Financial Position

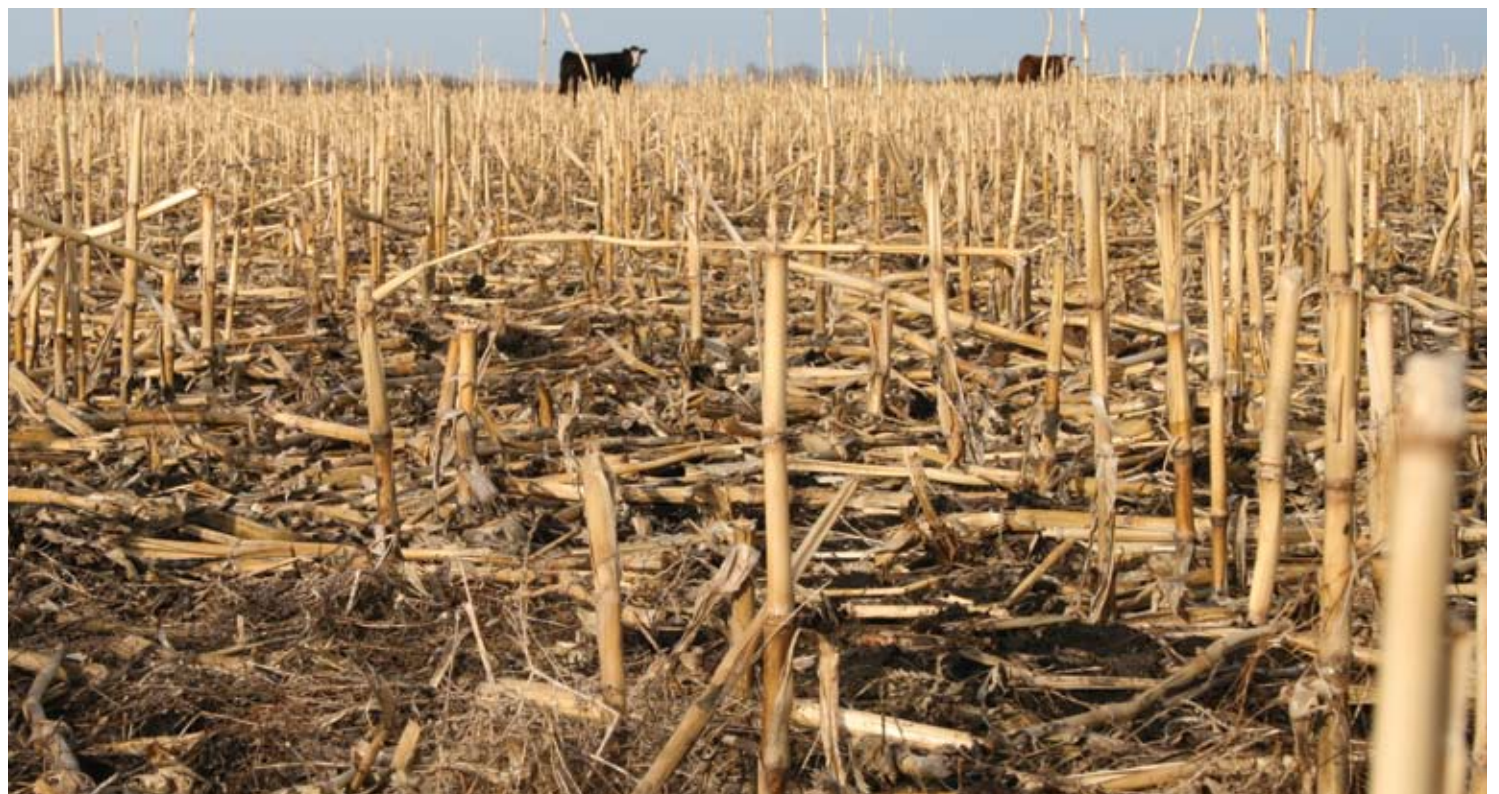
As at December 31, 2007

ASSETS	2007	2006
CURRENT ASSETS		
Cash	\$703,926	\$859,065
Accounts receivable	594,818	621,905
Prepaid expenses	136,839	93,549
	1,435,583	1,574,519
CAPITAL ASSETS (Note 3)	1,599,986	1,185,274
INVESTMENTS (Note 4)	7,300,714	6,451,159
	\$10,336,283	\$9,210,952
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$323,474	\$354,699
Prepaid member dues and fees	5,346,357	4,806,878
	5,669,831	5,161,577
DEFERRED PENSION CONTRIBUTIONS (Note 5)	590,000	466,000
DEFERRED LEASE INDUCEMENT (Note 2)	201,347	239,213
	6,461,178	5,866,790
NET ASSETS		
Unrestricted	2,275,119	2,158,888
Invested in capital assets	1,599,986	1,185,274
	3,875,105	3,344,162
	\$10,336,283	\$9,210,952

Approved on behalf of Council:


 President J. McLeod, P.Eng.


 Executive Director H. Neil Windsor, P.Eng.



Statement of Operations

For the year ended December 31, 2007

	2007	2006
REVENUES		
Dues	\$8,963,100	\$7,708,100
Registration fees	1,126,308	876,408
General	1,039,105	988,652
Permit fees	1,005,720	899,544
Examination fees	949,901	726,995
Investment income	126,771	408,627
	13,210,905	11,608,326
EXPENSES		
Salaries, benefit, and pension	4,969,807	4,554,484
General (Schedule A)	2,299,119	2,101,419
Meetings	1,610,124	1,479,666
Office rent and parking	931,229	789,605
Disciplinary matters	512,466	319,055
Printing and stationery	502,131	545,223
Public awareness	459,342	311,666
Exam administration	397,748	331,104
Amortization of capital assets	386,590	302,488
Consulting	283,519	323,134
Office equipment	203,229	188,980
Contributions to The APEGGA Education Foundation (Note 6)	92,000	84,232
Insurance	32,658	39,538
	12,679,962	11,370,594
EXCESS OF REVENUES OVER EXPENSES	\$530,943	\$237,732

Statement of Changes in Net Assets

For the year ended December 31, 2007

	Invested in Capital Assets	Unrestricted	Total 2007	Total 2006
NET ASSETS, BEGINNING OF YEAR	\$1,185,274	\$2,158,888	\$3,344,162	\$3,106,430
Excess of revenues over expenditures	-	530,943	530,943	237,732
Transfers				
Additions to capital assets	801,302	(801,302)	-	-
Amortization of capital assets	(386,590)	386,590	-	-
NET ASSETS, END OF YEAR	\$1,599,986	\$2,275,119	\$3,875,105	\$3,344,162

Statement of Cash Flow

For the year ended December 31, 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members	\$12,511,510	\$10,807,047
Cash received from general revenue	959,734	895,511
Cash received from investments	205,435	163,047
Cash paid for salaries and benefits	(4,940,963)	(3,928,468)
Cash paid for materials and services	(7,341,283)	(7,293,479)
	<u>1,394,433</u>	<u>643,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(801,302)	(301,405)
Purchase of investments	(748,270)	(1,674,923)
	<u>(1,549,572)</u>	<u>(1,976,328)</u>
NET DECREASE IN CASH	(155,139)	(1,332,670)
CASH, BEGINNING OF YEAR	859,065	2,191,735
CASH, END OF YEAR	<u>\$703,926</u>	<u>\$859,065</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	\$111,292	\$312,489
Term deposits	592,634	546,576
	<u>\$703,926</u>	<u>\$859,065</u>

2007 FINANCIAL STATEMENTS



December 31, 2007

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 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 Canadian generally accepted accounting principles. 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 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 and unrealized 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.

3 Capital Assets

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$1,085,683	\$563,469	\$522,214	\$514,853
Computer software and hardware	711,597	482,921	228,676	269,918
Furniture and equipment	686,535	420,466	266,069	306,450
Audiovisual equipment	299,226	208,151	91,075	94,053
Membership data base	491,952	-	491,952	-
	\$3,274,993	\$1,675,007	\$1,599,986	\$1,185,274

Amortization provided for in the current year totaled \$386,590; (2006 – \$302,488).

The new membership management system has not been amortized due to the fact that it is still under development and will not be placed in service until 2008.

4 Investments

	2007	2006
Marketable Securities (at market):		
Fixed income	\$3,454,705	\$3,484,442
Canadian equity funds	2,571,473	1,761,063
International equity funds	607,033	626,045
US equity funds	667,503	579,609
	\$7,300,714	\$6,451,159

5 Pension Plan Information

	2007	2006
Plan balances at year end are comprised of the following:		
Plan assets at fair value	\$7,699,000	\$7,263,000
Accrued benefit obligations	9,354,000	8,258,000
Plan deficit at year end	\$(1,655,000)	\$(995,000)

Pension expense of \$651,000; (2006 – \$528,000) 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 \$528,000; (2006 – \$408,000) and by employees were \$170,000; (2006 – \$149,000).

Benefit/termination payments from the plan during the year were \$359,000; (2006 – \$270,000).

Notes to the Financial Statements

Note 5 continued

The significant long-term actuarial assumptions adopted in measuring the Association's pension benefit obligations include a discount rate of 5.50%; (2006 – 5.20%), return on assets of 6.50%; (2006 – 6.50%) and salary increases of 5.00%; (2006 – 4.00%). The most recent actuarial valuation of the plan for funding purposes was performed December 31, 2006.

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 Education Foundation of \$92,000 (2006 \$84,232) were funded by:

	2007	2006
Summit Awards	\$45,800	\$43,750
Direct contributions	46,200	40,482
	\$92,000	\$84,232

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:

2008	\$1,108,034
2009	1,051,033
2010	1,047,975
2011	1,029,847
2012 and thereafter	2,777,360
	\$7,014,249

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 affect these investments.

Schedule A – General Expenses

For the year ended December 31, 2007

	2007	2006
GENERAL EXPENSES		
National assessment CCPE/CCPG	\$530,494	\$490,187
Postage	469,338	396,987
Member insurance program	319,795	331,945
Bank and credit card service charges	220,045	171,042
Other general expenses	191,032	190,620
Telephone and data line	168,617	129,249
Grants and scholarships	122,984	113,816
Certificates, diplomas and photos	84,700	80,553
Seals and stamps	69,083	50,919
Courier	62,059	58,869
Awards	36,291	52,658
Public relations	24,681	34,574
	\$2,299,119	\$2,101,419