

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION
Financial Statements
Year Ended December 31, 2011

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Wood Pallet and Container Association

We have audited the accompanying financial statements of Canadian Wood Pallet and Container Association, which comprise the statement of financial position as at December 31, 2011, and the statements of revenues and expenditures and changes in net assets 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 Canadian generally accepted accounting principles, 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 qualified audit opinion.

(continues)

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Independent Auditor's Report to the Members of Canadian Wood Pallet and Container Association *(continued)*

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association derives sundry revenue from various activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Canadian Wood Pallet and Container Association as at December 31, 2011 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Phomin Leslie

Ottawa, Ontario
April 30, 2012

Phomin Leslie, Chartered Accountants (A Professional Corporation)
Authorized to practice public accounting by
The Institute of Chartered Accountants of Ontario

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Financial Position

December 31, 2011

| | 2011 | 2010 |
|---|-------------------|-------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 379,275 | \$ 95,222 |
| Accounts receivable | 7,231 | 17,516 |
| Harmonized services tax recoverable | 22,034 | 12,511 |
| Prepaid expenses | 3,883 | 8,761 |
| | 412,423 | 134,010 |
| PROPERTY AND EQUIPMENT (Note 3) | 257,731 | 10,482 |
| LONG TERM INVESTMENTS (Market value \$58,972) (Note 4) | 58,972 | 571,727 |
| | \$ 729,126 | \$ 716,219 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 18,071 | \$ 85,109 |
| Deferred income | 23,325 | - |
| | 41,396 | 85,109 |
| NET ASSETS | | |
| Net assets | 687,730 | 631,110 |
| | \$ 729,126 | \$ 716,219 |

ON BEHALF OF THE BOARD

Director

Director

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Revenues and Expenditures

Year Ended December 31, 2011

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| REVENUE | | |
| Membership fees | \$ 94,747 | \$ 103,691 |
| Inspection fees | 726,153 | 738,767 |
| | <hr/> 820,900 | <hr/> 842,458 |
| EXPENSES | | |
| Amortization | 7,355 | 1,957 |
| Directors' meetings and travel expenses | 21,458 | 11,889 |
| EGM Travel expenses | 8,013 | 5,751 |
| Inspection services | 422,281 | 458,786 |
| Insurance | 16,954 | 13,793 |
| Management salaries | 92,692 | 129,489 |
| Office | 26,055 | 27,419 |
| Postage and handling | 8,554 | 7,925 |
| Printing and reproduction | 6,618 | 5,646 |
| Professional fees | 7,900 | 18,727 |
| Rent | 5,191 | 17,282 |
| Salaries and wages | 100,961 | 116,376 |
| Sponsorship | - | 10,000 |
| Telephone | 5,580 | 7,393 |
| Training | - | 19,148 |
| Travel | 1,226 | 141 |
| | <hr/> 730,838 | <hr/> 851,722 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | 90,062 | (9,264) |
| OTHER INCOME | | |
| Unrealized gain on investments | 4,414 | - |
| Investment income | 5,145 | 10,425 |
| Foreign exchange | 1,712 | - |
| Schedule of Meetings and Activities (<i>Schedule 1</i>) | (37,582) | (15,005) |
| Schedule of Sundry Activities (<i>Schedule 2</i>) | (7,131) | (24,922) |
| | <hr/> (33,442) | <hr/> (29,502) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 56,620 | \$ (38,766) |

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2011

| | 2011 | 2010 |
|---------------------------------------|--------------------------|--------------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 631,110 | \$ 669,876 |
| Excess of revenue over expenses | <u>56,620</u> | <u>(38,766)</u> |
| NET ASSETS - END OF YEAR | <u>\$ 687,730</u> | <u>\$ 631,110</u> |

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

1. PURPOSE OF ORGANIZATION

The purpose of the Canadian Wood Pallet and Container Association (the "Association") is to promote the general welfare of the wooden pallet and packaging industry by providing newsletters to members and organizing events, activities and workplace programs for members. Under the Income Tax Act for Canada, the Association qualifies as a not-for-profit organization and is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies outlined below.

Property and equipment

Property & equipment are stated at cost less accumulated amortization. Property & equipment are amortized over their estimated useful lives at the following rates and methods:

| | | |
|-------------------------|-----|----------------------------|
| Building | 4% | diminishing balance method |
| Computer equipment | 30% | diminishing balance method |
| Furniture and equipment | 20% | diminishing balance method |

Amortization is recorded at one-half the normal rate in the year of acquisition.

Long-term investments

Long-term investments are classified as held for trading and are therefore carried at fair value. Unrealized gains or losses are reported as part of net income.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

(continues)

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Measurement uncertainty

When preparing financial statements according to GAAP, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Association may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, and employee compensation plans.

Future changes in significant accounting policies

The following accounting standard has been issued by the Canadian Institute of Chartered Accountants (CICA) but is not yet effective for the Association. The Association is currently evaluating the effect of adopting this standard, which it will do in fiscal year 2012.

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective for years beginning on or after January 1, 2012.

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

3. PROPERTY, PLANT AND EQUIPMENT

| | Cost | Accumulated amortization | 2011 Net book value | 2010 Net book value |
|-------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Building | \$ 254,605 | \$ 5,092 | \$ 249,513 | \$ - |
| Computer equipment | 16,305 | 15,138 | 1,167 | 1,668 |
| Furniture and equipment | 19,645 | 12,594 | 7,051 | 8,814 |
| | \$ 290,555 | \$ 32,824 | \$ 257,731 | \$ 10,482 |

4. LONG TERM INVESTMENTS

Long-term investments consist of guaranteed investment certificates with original maturities greater than one year.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, long-term investments, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented because it would not provide any additional meaningful information that is not readily determinable from information presented in the other financial statements.

7. COMPARATIVE FIGURES

The prior year comparative figures were audited by another chartered accountant. Some of the comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Schedule of Meetings and Activities

(Schedule 1)

Year Ended December 31, 2011

| | 2011 | 2010 |
|---------------------------------|--------------------|--------------------|
| ANNUAL MEETING | | |
| Registration | \$ 20,409 | \$ 20,195 |
| Expenses | (45,578) | (31,869) |
| | (25,169) | (11,674) |
| REGIONAL MEETINGS | | |
| Registration | 8,316 | 16,941 |
| Expenses | (21,397) | (20,588) |
| | (13,081) | (3,647) |
| SCRAMBLE GOLF TOURNAMENT | | |
| Registration | 9,415 | 7,935 |
| Expenses | (8,747) | (7,619) |
| | 668 | 316 |
| | \$ (37,582) | \$ (15,005) |

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Schedule of Sundry Activities

(Schedule 2)

Year Ended December 31, 2011

| | 2011 | 2010 |
|---------------------------------|-------------------|--------------------|
| SUNDY REVENUES | | |
| Advertising | \$ 3,387 | \$ 3,651 |
| Pallet enterprise subscriptions | 924 | 1,092 |
| | 4,311 | 4,743 |
| SUNDY EXPENSES | | |
| Advertising | 4,720 | 14,786 |
| Foreign exchange loss | 4,344 | 4,305 |
| Relocation costs | 2,378 | 10,574 |
| | 11,442 | 29,665 |
| | \$ (7,131) | \$ (24,922) |