

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION
Financial Statements
Year Ended December 31, 2012

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

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Year Ended December 31, 2012

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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, 2012, and the statements of revenues and expenditures, 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 Canadian accounting standards for not-for-profit organizations, 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.

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

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

paragraph, these financial statements present fairly, in all material respects, the financial position of Canadian Wood Pallet and Container Association as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Canadian Wood Pallet and Container Association adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial positions as at December 31, 2011 and January 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Leslie & MacLeod

Ottawa, Ontario
April 15, 2013

Leslie & MacLeod, Chartered Accountants
(A Professional Corporation)
Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Financial Position

December 31, 2012

	<i>December 31 2012</i>	<i>December 31 2011</i>	<i>January 1 2011</i>
ASSETS			
CURRENT			
Cash	\$ 110,619	\$ 379,275	\$ 95,222
Short term investments (<i>Note 6</i>)	300,000	-	-
Accounts receivable	6,966	7,231	17,516
Harmonized sales tax recoverable	24,302	22,034	12,511
Prepaid expenses	8,565	3,883	8,761
	450,452	412,423	134,010
PROPERTY, PLANT AND EQUIPMENT (<i>Note 5</i>)	249,070	257,732	10,482
LONG TERM INVESTMENTS (<i>Note 6</i>)	58,702	58,972	571,727
	\$ 758,224	\$ 729,127	\$ 716,219
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 52,121	\$ 18,071	\$ 85,109
Deferred income (<i>Note 7</i>)	49,896	23,325	-
	102,017	41,396	85,109
NET ASSETS			
General fund	456,207	687,731	631,110
Restricted fund	200,000	-	-
	656,207	687,731	631,110
	\$ 758,224	\$ 729,127	\$ 716,219

ON BEHALF OF THE BOARD

Director

Director

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Revenues and Expenditures

Year Ended December 31, 2012

	2012	2011
REVENUE		
Membership fees	\$ 93,040	\$ 94,747
Inspection fees	<u>717,847</u>	<u>726,153</u>
	810,887	820,900
EXPENSES		
Amortization	12,083	7,355
Directors' meetings and travel expenses	19,134	21,460
EGM/staff travel expenses	10,451	9,238
Inspection services	458,199	422,281
Insurance	11,402	16,954
Management salaries	95,000	92,692
Office	41,195	26,054
Postage and handling	7,047	8,554
Printing and reproduction	6,893	6,618
Professional fees	24,967	7,900
Property taxes	7,924	5,653
Rent	-	5,191
Salaries and wages	112,447	95,308
Telephone	<u>5,801</u>	<u>5,580</u>
	812,543	730,838
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(1,656)	90,062
OTHER INCOME		
Gain (loss) on investments	(270)	4,414
Investment income	4,477	5,145
Foreign exchange	-	1,712
Schedule of Meetings and Activities (<i>Schedule 1</i>)	(27,262)	(37,582)
Schedule of Sundry Activities (<i>Schedule 2</i>)	<u>(6,813)</u>	<u>(7,131)</u>
	(29,868)	(33,442)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (31,524)	\$ 56,620

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2012

	General Fund	Restricted Fund	2012	2011
NET ASSETS - BEGINNING OF YEAR	\$ 687,731	\$ -	\$ 687,731	\$ 631,110
Deficiency of revenue over expenses	(31,524)	-	(31,524)	56,620
Interfund transfers (<i>Note 4</i>)	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	\$ 456,207	\$ 200,000	\$ 656,207	\$ 687,730

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (31,524)	\$ 56,620
Item not affecting cash:		
Amortization of property, plant and equipment	<u>12,083</u>	<u>7,355</u>
	<u>(19,441)</u>	<u>63,975</u>
Changes in non-cash working capital:		
Accounts receivable	265	10,285
Accounts payable and accrued liabilities	34,050	(67,037)
Deferred income	26,571	23,325
Prepaid expenses	(4,682)	4,878
Harmonized services tax payable (receivable)	(2,268)	(9,523)
	<u>53,936</u>	<u>(38,072)</u>
Cash flow from operating activities	<u>34,495</u>	<u>25,903</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,421)	(254,605)
Short term investments	(300,000)	-
Long term investments	270	512,755
Cash flow from (used by) investing activities	<u>(303,151)</u>	<u>258,150</u>
INCREASE (DECREASE) IN CASH FLOW	(268,656)	284,053
CASH - BEGINNING OF YEAR	379,275	95,222
CASH - END OF YEAR	\$ 110,619	\$ 379,275
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ (4,477)	\$ (5,145)
CASH CONSISTS OF:		
Cash	<u>\$ 110,619</u>	<u>\$ 379,275</u>

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2012

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. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Association adopted accounting standards for not-for-profit organizations (ASNPO). These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in no changes to beginning net assets or restatement of any assets or liabilities.

3. 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.

Funds

The General fund accounts for the Association's program delivery and administrative activities.

The Restricted fund was established by the Board as an operating reserve for the future should the Canadian Wood Pallet and Container Program cease to exist.

Property, plant and equipment

Property, plant & equipment are stated at cost less accumulated amortization. Property, plant & 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.

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CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2012

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

Investments

Short and long term investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversals of previously recognized impairment 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.

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.

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CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2012

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

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for private enterprises, 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.

4. INTERFUND TRANSFER

During the year, the Association's Board of Directors passed a resolution to create a restricted fund and transfer \$200,000 from the general fund to the restricted fund.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Building	\$ 254,605	\$ 15,073	\$ 239,532	\$ 249,513
Computer equipment	16,806	15,988	818	1,168
Furniture and equipment	24,829	16,109	8,720	7,051
	\$ 296,240	\$ 47,170	\$ 249,070	\$ 257,732

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2012

6. INVESTMENTS

Short term investments consist of guaranteed investment certificates maturing in 2013. Fair market value as at December 31, 2012 is \$300,000 (2011 - \$NIL).

Long term investments consist of bonds with original maturities greater than one year. Fair market value as at December 31, 2012 is \$58,702 (2011 - \$58,972).

7. DEFERRED INCOME

Deferred income represents revenues collected but not earned as of December 31, 2012. This is primarily composed of revenue for members' inspection fees. The amounts are accrued in advance to capture balances due, to fulfill the four inspection requirements according to regulations.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short term investments, 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.

9. COMPARATIVE FIGURES

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, 2012

	2012	2011
ANNUAL MEETING		
Registration	\$ 2,430	\$ 20,409
Expenses	(13,954)	(45,578)
	(11,524)	(25,169)
REGIONAL MEETINGS		
Registration	1,445	8,316
Expenses	(16,892)	(21,397)
	(15,447)	(13,081)
SCRAMBLE GOLF TOURNAMENT		
Registration	8,835	9,415
Expenses	(9,126)	(8,747)
	(291)	668
	\$ (27,262)	\$ (37,582)

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Schedule of Sundry Activities

(Schedule 2)

Year Ended December 31, 2012

	2012	2011
SUNDRY REVENUES		
Advertising	\$ 1,338	\$ 3,387
Pallet enterprise subscriptions	- 924	
	1,338	4,311
SUNDRY EXPENSES		
Advertising	8,151	4,720
Foreign exchange loss	-	4,344
Relocation costs	-	2,378
	8,151	11,442
	\$ (6,813)	\$ (7,131)