

**CANADIAN WOOD PALLET AND  
CONTAINER ASSOCIATION**

**Financial Statements**

**Year Ended December 31, 2013**

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

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## INDEPENDENT AUDITOR'S REPORT

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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, 2013 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, Canadian Wood Pallet and Container Association derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Canadian Wood Pallet and Container Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2013, current assets and net assets as at January 1, 2013 and December 31, 2013

### Qualified Opinion

*(continues)*

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

In our opinion, except for the possible 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 Canadian Wood Pallet and Container Association as at December 31, 2013 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.

Ottawa, Ontario  
April 28, 2014

*Leslie & MacLeod*

Leslie & MacLeod, 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, 2013

	2013	2012
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 103,004	\$ 110,619
Short term investments (Note 5)	215,587	300,000
Accounts receivable	813	6,966
Harmonized sales tax receivable	23,003	24,302
Prepaid expenses	14,056	8,565
	<u>356,463</u>	<u>450,452</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 4)</b>	244,307	249,070
<b>LONG TERM INVESTMENTS (Note 5)</b>	<u>197,225</u>	<u>58,702</u>
	<u>\$ 797,995</u>	<u>\$ 758,224</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 64,116	\$ 52,121
Deferred income (Note 6)	38,745	49,896
	<u>102,861</u>	<u>102,017</u>
<b>NET ASSETS</b>		
General fund	445,134	456,207
Restricted fund (Note 5)	200,000	200,000
Legal fund (Note 5)	50,000	-
	<u>695,134</u>	<u>656,207</u>
	<u>\$ 797,995</u>	<u>\$ 758,224</u>

ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accompanying notes are an integral part of these financial statements

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Revenues and Expenditures

Year Ended December 31, 2013

	2013	2012
<b>REVENUE</b>		
Inspection fees	\$ 777,139	\$ 717,847
Membership fees	82,255	93,040
	<b>859,394</b>	<b>810,887</b>
<b>EXPENSES</b>		
Amortization	14,153	12,083
Bad debts	75	-
Directors' meetings and travel expenses	17,568	19,134
EGM/staff travel expenses	7,740	10,451
Inspection services	473,400	458,199
Insurance	13,458	11,402
Management salaries	81,128	95,000
Office	32,793	41,195
Postage and handling	7,672	7,047
Printing and reproduction	9,519	6,893
Professional fees	19,164	24,967
Property taxes	3,754	7,924
Salaries and wages	117,963	112,447
Telephone	5,514	5,801
	<b>803,901</b>	<b>812,543</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>55,493</b>	<b>(1,656)</b>
<b>OTHER INCOME</b>		
Unrealized gain (loss) on investments	(1,684)	(270)
Investment income	6,210	4,477
Foreign exchange	324	-
Schedule of Meetings and Activities <i>(Schedule 1)</i>	(25,679)	(27,262)
Schedule of Sundry Activities <i>(Schedule 2)</i>	4,263	(6,813)
	<b>(16,566)</b>	<b>(29,868)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 38,927</b>	<b>\$ (31,524)</b>

The accompanying notes are an integral part of these financial statements

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Changes in Net Assets

Year Ended December 31, 2013

	General Fund	Restricted Fund	Legal Fund	2013	2012
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 456,207	\$ 200,000	\$ -	\$ 656,207	\$ 687,731
Excess of revenue over expenses	38,927	-	-	38,927	(31,524)
Interfund transfers (Note 3)	(50,000)	-	50,000	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 445,134	\$ 200,000	\$ 50,000	\$ 695,134	\$ 656,207

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Cash Flows Year Ended December 31, 2013

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 38,927	\$ (31,524)
Item not affecting cash:		
Amortization of property, plant and equipment	14,153	12,083
	53,080	(19,441)
Changes in non-cash working capital:		
Accounts receivable	6,153	265
Accounts payable and accrued liabilities	11,995	34,050
Deferred income	(11,151)	26,571
Prepaid expenses	(5,491)	(4,682)
Harmonized services tax payable (receivable)	1,299	(2,268)
	2,805	53,936
Cash flow from operating activities	55,885	34,495
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9,390)	(3,421)
Short term investments	84,413	(300,000)
Long term investments	(138,523)	270
Cash flow used by investing activities	(63,500)	(303,151)
<b>DECREASE IN CASH FLOW</b>	(7,615)	(268,656)
<b>CASH - BEGINNING OF YEAR</b>	110,619	379,275
<b>CASH - END OF YEAR</b>	\$ 103,004	\$ 110,619
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ (6,210)	\$ (4,477)



# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2013

### 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 Association follows the standards in Part III of the CICA accounting Handbook and has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). 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 Packaging Certification Program cease to exist.

The Legal fund was established by the Board as a reserve for the future should the Canadian Wood Pallet and Container Association incur legal expenses.

#### 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
Computer software	55%	diminishing balance method
Furniture and equipment	20%	diminishing balance method

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

#### 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 reversal of previously recognized impairment losses, are reported as part of net income.

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# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2013

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

#### 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.

#### Financial instruments policy

##### Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures all its financial assets and financial liabilities at cost or 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 of these financial instruments are recognized in net income.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, and government remittances receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, and unearned revenues.

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# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2013

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

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

### 3. INTERFUND TRANSFER

During the year, the Association's Board of Directors passed a resolution to create a legal fund and transfer \$50,000 from the general fund to the legal fund.

### 4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Building	\$ 254,605	\$ 24,654	\$ 229,951	\$ 239,532
Computer equipment	16,806	16,234	572	818
Computer software	9,390	2,582	6,808	-
Furniture and equipment	24,829	17,853	6,976	8,720
	<u>\$ 305,630</u>	<u>\$ 61,323</u>	<u>\$ 244,307</u>	<u>\$ 249,070</u>

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements Year Ended December 31, 2013

### 5. INVESTMENTS

	2013	2012
General Fund	\$ 162,811	\$ 158,702
Restricted Fund	200,000	200,000
Legal Fund	50,000	-
	<b>\$ 412,811</b>	<b>\$ 358,702</b>

Short term investments consist of guaranteed investment certificates maturing in 2014. Fair market value as at December 31, 2013 is \$312,811 (2012 - \$300,000).

Long term investments consist of bonds with original maturities greater than one year. Fair market value as at December 31, 2013 is \$100,000 (2011 - \$58,702).

### 6. DEFERRED INCOME

Deferred income represents revenues collected but not earned as of December 31, 2013. This is primarily composed of revenue for members' inspection fees. The amounts are accrued in advance to capture balances due, to fulfil the four inspection requirements according to regulations.

### 7. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2013.

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

#### Fair Value

The Association's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

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# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2013

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### 7. FINANCIAL INSTRUMENTS *(continued)*

#### Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its investments.

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Schedule of Meetings and Activities

*(Schedule 1)*

Year Ended December 31, 2013

	2013	2012
<b>ANNUAL MEETING</b>		
Registration	\$ 9,525	\$ 2,430
AGM Sponsorship	3,600	-
Expenses	(22,348)	(13,954)
	(9,223)	(11,524)
<b>REGIONAL MEETINGS</b>		
Registration	1,392	1,445
Expenses	(6,030)	(10,370)
	(4,638)	(8,925)
<b>WESTERN FOCUS MEETING</b>		
Registration	996	-
Expenses	(13,179)	(6,522)
	(12,183)	(6,522)
<b>SCRAMBLE GOLF TOURNAMENT</b>		
Registration	10,035	8,835
Expenses	(9,670)	(9,126)
	365	(291)
	\$ (25,679)	\$ (27,262)

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Schedule of Sundry Activities

*(Schedule 2)*

Year Ended December 31, 2013

	2013	2012
<b>SUNDRY REVENUES</b>		
Advertising	\$ 7,313	\$ 1,338
<b>SUNDRY EXPENSES</b>		
Advertising	3,050	8,151
	\$ 4,263	\$ (6,813)