

**CANADIAN WOOD PALLET AND  
CONTAINER ASSOCIATION**

**Financial Statements**

**Year Ended December 31, 2016**

# 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, 2016 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, 2016, current assets and net assets as at January 1, 2016 and December 31, 2016.

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Qualified Opinion

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, 2016 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  
May 29, 2017

*Leslie & MacLeod*  
Leslie & MacLeod, Chartered Accountants  
(A Professional Corporation)  
Licensed Public Accountants

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Financial Position December 31, 2016

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 63,255	\$ 56,295
Short term investments (Note 4)	-	260,422
Accounts receivable	738	4,416
Harmonized sales tax recoverable	29,487	23,329
Prepaid expenses	11,958	12,068
	<b>105,438</b>	<b>356,530</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 3)</b>	<b>211,669</b>	<b>222,988</b>
<b>LONG TERM INVESTMENTS (Note 4)</b>	<b>197,986</b>	<b>106,965</b>
<b>GOODWILL (Note 5.)</b>	<b>82,515</b>	<b>-</b>
	<b>\$ 597,608</b>	<b>\$ 686,483</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 97,663	\$ 59,781
Employee deductions payable	3,787	4,406
Deferred revenue (Note 6)	22,313	18,166
	<b>123,763</b>	<b>82,353</b>
<b>NET ASSETS</b>		
General fund	300,684	354,130
Restricted fund (Note 4)	137,500	200,000
Legal fund (Note 4)	35,661	50,000
	<b>473,845</b>	<b>604,130</b>
	<b>\$ 597,608</b>	<b>\$ 686,483</b>

### ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Revenues and Expenditures Year Ended December 31, 2016

	2016	2015
<b>REVENUE</b>		
Inspection fees	\$ 962,606	\$ 768,562
Membership fees	86,629	82,024
Government grant	598	4,093
	<b>1,049,833</b>	<b>854,679</b>
<b>EXPENSES</b>		
Amortization	11,317	13,196
Directors' meetings and travel expenses	22,978	23,686
EGM/staff travel expenses	24,028	10,429
Inspection services	658,743	471,150
Insurance	16,111	11,908
Management salaries	170,760	145,179
Office	60,343	73,094
Postage and handling	7,653	8,640
Printing and reproduction	9,856	7,165
Professional fees	11,882	12,498
Property taxes	6,298	6,324
Salaries and wages	142,896	140,608
Telephone	4,727	4,964
Training	1,795	-
	<b>1,149,387</b>	<b>928,841</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>(99,554)</b>	<b>(74,162)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Investment portfolio income	5,010	10,009
Foreign exchange gain	853	187
Schedule of Meetings and Activities <i>(Schedule 1)</i>	<b>(32,917)</b>	<b>(43,608)</b>
Schedule of Sundry Activities <i>(Schedule 2)</i>	<b>(3,677)</b>	<b>(12,707)</b>
	<b>(30,731)</b>	<b>(46,119)</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<b>\$ (130,285)</b>	<b>\$ (120,281)</b>

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Changes in Net Assets

Year Ended December 31, 2016

	General Fund	Restricted Fund	Legal Fund	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 354,130	\$ 200,000	\$ 50,000	\$ <b>604,130</b>	\$ 724,411
Deficiency of revenue over expenses	(130,285)	-	-	<b>(130,285)</b>	(120,281)
Interfund transfers	76,839	(62,500)	(14,339)	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 300,684	\$ 137,500	\$ 35,661	\$ <b>473,845</b>	\$ 604,130

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Cash Flows Year Ended December 31, 2016

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (130,285)	\$ (120,281)
Item not affecting cash:		
Amortization of property, plant and equipment	11,317	13,196
	<b>(118,968)</b>	<b>(107,085)</b>
Changes in non-cash working capital:		
Accounts receivable	3,678	(3,050)
Accounts payable and accrued liabilities	37,884	(24,297)
Deferred revenue	4,147	(22,431)
Prepaid expenses	110	1,275
Harmonized services tax payable (receivable)	(6,158)	20,627
Employee deductions payable	(619)	2,350
	<b>39,042</b>	<b>(25,526)</b>
Cash flow used by operating activities	<b>(79,926)</b>	<b>(132,611)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of goodwill	(82,515)	-
Short term investments	260,422	110,569
Long term investments	(91,021)	(2,509)
Cash flow from investing activities	<b>86,886</b>	<b>108,060</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>6,960</b>	<b>(24,551)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>56,295</b>	<b>80,846</b>
<b>CASH - END OF YEAR</b>	<b>\$ 63,255</b>	<b>\$ 56,295</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Investment income received	\$ (5,010)	\$ (10,009)



# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2016

### 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 CPA Canada 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.

#### Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

#### 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.

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# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2016

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

#### Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### 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, 2016

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

#### 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, investments and harmonized sales tax recoverable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, employee deductions payable and deferred revenue.

#### 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. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Building	\$ 254,605	\$ 51,159	\$ 203,446	\$ 211,923
Computer equipment	18,773	17,758	1,015	1,451
Computer software	9,390	8,770	620	1,379
Furniture and equipment	30,065	23,477	6,588	8,235
	<u>\$ 312,833</u>	<u>\$ 101,164</u>	<u>\$ 211,669</u>	<u>\$ 222,988</u>

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements Year Ended December 31, 2016

### 4. INVESTMENTS

	2016	2015
General Fund	\$ 24,825	\$ 117,387
Restricted Fund	137,500	200,000
Legal Fund	35,661	50,000
	<b>\$ 197,986</b>	<b>\$ 367,387</b>

Short term investments consisted of guaranteed investment certificates maturing in 2016. Fair market value as at December 31, 2016 is \$NIL (2015 - \$260,422).

Long term investments consist of bonds with original maturities greater than one year and guaranteed investment certificates maturing in 2018. Fair market value as at December 31, 2016 is \$197,986 (2015- \$106,965).

### 5. GOODWILL

On December 15, 2016, the Association entered into an Asset Purchase Agreement with Douglas A. Taylor & Associates Limited ("DT"), whereby DT agreed to sell to the Association and the Association agreed to purchase from DT substantially all assets and undertaking of and pertaining to the business. This transaction closed on January 1, 2017, when DT transferred to the Association its' business assets for the sum of two hundred fifty thousand (\$250,000) dollars.

As at December 31, 2016, \$82,515 consists of the required \$62,500 first payment, held in trust, and \$20,515 for professional fees relating to the transaction.

### 6. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as of December 31, 2016. 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, 2016.

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# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2016

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

#### 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.

#### 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.

### 8. COMPARATIVE FIGURES

Some of the comparative figures may 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, 2016

	2016	2015
<b>ANNUAL MEETING</b>		
Registration	\$ 9,350	\$ 8,550
AGM Sponsorship	3,150	3,800
Expenses	(22,765)	(40,823)
	(10,265)	(28,473)
<b>REGIONAL MEETINGS</b>		
<b>WESTERN FOCUS MEETING</b>		
Registration	2,047	1,100
Expenses	(24,153)	(16,391)
	(22,106)	(15,291)
<b>SCRAMBLE GOLF TOURNAMENT</b>		
Registration	9,025	7,850
Expenses	(9,571)	(7,694)
	(546)	156
	\$ (32,917)	\$ (43,608)

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Schedule of Sundry Activities *(Schedule 2)* Year Ended December 31, 2016

	2016	2015
<b>SUNDRY REVENUES</b>		
Advertising	\$ 8,702	\$ 8,383
<b>SUNDRY EXPENSES</b>		
Advertising	12,379	21,090
	\$ (3,677)	\$ (12,707)