

**CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION**

**Financial Statements**

**Year Ended December 31, 2018**

*Draft for discussion purposes only*

# 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, 2018 and the statements of revenues and expenses, changes in net assets and cash flow 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 audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Wood Pallet and Container Association as at December 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ottawa, Ontario

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

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Financial Position

December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 197,941	\$ 120,314
Short term investment (Note 3)	-	100,000
Accounts receivable	487	-
Harmonized sales tax recoverable	14,158	8,724
Prepaid expenses	13,338	11,527
	225,924	240,565
<b>TANGIBLE CAPITAL ASSETS (Note 4)</b>	<b>192,335</b>	<b>201,568</b>
<b>GOODWILL (Note 5)</b>	<b>270,015</b>	<b>270,015</b>
	\$ 688,274	\$ 712,148
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 24,099	\$ 36,088
Employee deductions payable	11,335	3,846
Deferred revenue (Note 6)	22,735	20,562
Current portion of note payable (Note 7)	62,500	62,500
	120,669	122,996
<b>NOTE PAYABLE (Note 7)</b>	<b>62,500</b>	<b>125,000</b>
	183,169	247,996
<b>NET ASSETS</b>		
General fund	505,105	364,152
Restricted fund	-	100,000
	505,105	464,152
	\$ 688,274	\$ 712,148

## ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See notes to financial statements

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Revenues and Expenses

Year Ended December 31, 2018

	2018	2017
<b>REVENUES</b>		
Inspection	\$ 923,562	\$ 950,224
Membership dues	90,488	89,853
Other	27,623	14,717
Golf tournament	7,256	-
Annual general meeting	1,816	13,325
	<b>1,050,745</b>	<b>1,068,119</b>
<b>EXPENSES</b>		
Payroll	496,716	319,156
Inspection program	288,058	511,878
General and administrative	117,278	109,997
Travel	40,736	35,237
IT services	13,296	24,482
Amortization of tangible assets	9,233	10,101
Golf tournament	8,200	-
Annual general meeting	4,418	32,850
	<b>977,935</b>	<b>1,043,701</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>72,810</b>	<b>24,418</b>
<b>OTHER REVENUES (EXPENSES)</b>		
Investment income	1,725	4,095
Foreign exchange loss	(33,582)	(38,205)
	<b>(31,857)</b>	<b>(34,110)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ 40,953</b>	<b>\$ (9,692)</b>

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Changes in Net Assets

Year Ended December 31, 2018

	General Fund	Restricted Fund	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 364,152	\$ 100,000	\$ <b>464,152</b>	\$ 473,844
Excess (deficiency) of revenues over expenses	40,953	-	<b>40,953</b>	(9,692)
Interfund transfer <i>(Note 10)</i>	100,000	(100,000)	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 505,105	\$ -	\$ <b>505,105</b>	\$ 464,152

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Statement of Cash Flow Year Ended December 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 40,953	\$ (9,692)
Item not affecting cash:		
Amortization of tangible capital assets	9,233	10,101
	<b>50,186</b>	<b>409</b>
Changes in non-cash working capital:		
Accounts receivable	(487)	738
Harmonized sales tax recoverable	(5,434)	20,763
Prepaid expenses	(1,811)	431
Accounts payable and accrued liabilities	(11,989)	(61,576)
Employee deductions payable	7,489	59
Deferred revenue	2,173	(1,751)
	<b>(10,059)</b>	<b>(41,336)</b>
Cash flow from (used by) operating activities	<b>40,127</b>	<b>(40,927)</b>
<b>INVESTING ACTIVITIES</b>		
Short term investment	100,000	97,986
Goodwill	-	(187,500)
Cash flow from (used by) investing activities	<b>100,000</b>	<b>(89,514)</b>
<b>FINANCING ACTIVITY</b>		
Note payable	(62,500)	187,500
<b>INCREASE IN CASH FLOW</b>	<b>77,627</b>	<b>57,059</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>120,314</b>	<b>63,255</b>
<b>CASH - END OF YEAR</b>	<b>\$ 197,941</b>	<b>\$ 120,314</b>
<b>CASH FLOW SUPPLEMENTARY INFORMATION</b>		
Investment income received	\$ 1,725	\$ 4,095

See notes to financial statements

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements Year Ended December 31, 2018

### 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.

#### Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets 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, 2018

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

#### Goodwill

Goodwill, arising on the acquisition of intangible business assets, represents the excess of the cost of acquisition over the Association's interest in the net fair value of the identifiable assets and liabilities of the business recognized at the date of acquisition. Goodwill is initially recognized at cost and is subsequently measured at cost less any amortization. Goodwill is tested for impairment annually or more frequently, if events and circumstances indicate that there may be impairment.

#### 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, 2018

### 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, 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, deferred revenue, and note payable.

#### 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. INVESTMENT

	2018	2017
Restricted fund	\$ -	\$ 100,000

The short term investment consisted of a guaranteed investment certificate which matured in 2018. The Association did not renew the investment.

### 4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Building	\$ 254,605	\$ 67,109	\$ 187,496	\$ 195,308
Computer equipment	18,773	18,276	497	711
Computer software	9,390	9,264	126	279
Furniture and equipment	30,065	25,849	4,216	5,270
	\$ 312,833	\$ 120,498	\$ 192,335	\$ 201,568

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

## Notes to Financial Statements Year Ended December 31, 2018

### 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. The \$250,000 is payable in 4 equal payments over 4 years (\$62,500/yr) starting in 2017 (Note 7).

### 6. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as of December 31, 2018. 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. NOTE PAYABLE

Note payable represents the amount payable to Douglas A. Taylor & Associates Limited (Note 5). It is unsecured, non- interest bearing and is payable in equal payments of \$62,500 per year with the last payment being January 1, 2020.

### 8. BANK CREDIT FACILITY

The Association has a bank credit facility with Bank of Montreal ("BMO") to a maximum of \$150,000 at any time and consists of the following:

Facility 1: Corporate Mastercard to a maximum of \$50,000 with terms determined by the Corporate Mastercard agreement.

Facility 2: Operating demand loan that can be drawn upon to a maximum of \$100,000, bears interest at the banks prime rate plus 1.6% and is due on demand. Security pledged for the operating demand loan consists of a general security agreement and assignment of insurance showing BMO as a loss payee.

There was no balance outstanding as at December 31, 2018.

### 9. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion the Association is not significantly exposed to any credit, liquidity, market, currency, or interest rate risks on it's financial instruments.

### 10. INTERFUND TRANSFER

During the year, the Association's Board of Directors made the decision to transfer \$100,000 from the restricted fund to the general fund to fund general operations.

# CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2018

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## 11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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