

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION
Financial Statements
Year Ended December 31, 2019

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Wood Pallet and Container Association

Opinion

We have audited the financial statements of Canadian Wood Pallet and Container Association (the Association), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Ontario
October 21, 2020

Leslie & MacLeod
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, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 271,515	\$ 197,941
Accounts receivable	51,078	487
Harmonized sales tax recoverable	6,116	14,158
Prepaid expenses	14,329	13,338
	343,038	225,924
TANGIBLE CAPITAL ASSETS (Note 3)	183,774	192,335
GOODWILL (Note 4)	270,015	270,015
	\$ 796,827	\$ 688,274
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 48,539	\$ 24,099
Employee deductions payable	10,069	11,335
Deferred revenue	36,312	22,735
Current portion of note payable (Note 6)	62,500	62,500
	157,420	120,669
NOTE PAYABLE (Note 6)	-	62,500
	157,420	183,169
NET ASSETS	639,407	505,105
	\$ 796,827	\$ 688,274

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, 2019

	2019	2018
REVENUES		
Inspection	\$ 1,003,625	\$ 923,562
Membership dues	91,207	90,488
Other (<i>Note 7</i>)	49,256	27,623
Golf tournament	-	7,256
Annual general meeting	26,148	1,816
	1,170,236	1,050,745
EXPENSES		
Payroll	471,785	496,716
Inspection program	330,720	288,058
General and administrative	102,330	117,278
Annual general meeting	39,806	4,418
Travel	34,295	40,736
IT services	12,810	13,296
Amortization of tangible assets	8,561	9,233
Golf tournament	500	8,200
	1,000,807	977,935
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	169,429	72,810
OTHER REVENUE (EXPENSE)		
Investment income	-	1,725
Foreign exchange loss	(35,127)	(33,582)
	(35,127)	(31,857)
EXCESS OF REVENUES OVER EXPENSES	\$ 134,302	\$ 40,953

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2019

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 505,105	\$ 464,152
Excess of revenues over expenses	<u>134,302</u>	<u>40,953</u>
NET ASSETS - END OF YEAR	\$ 639,407	\$ 505,105

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 134,302	\$ 40,953
Item not affecting cash:		
Amortization of tangible capital assets	<u>8,561</u>	9,233
	<u>142,863</u>	50,186
Changes in non-cash working capital:		
Accounts receivable	(50,591)	(487)
Harmonized sales tax recoverable	8,042	(5,434)
Prepaid expenses	(991)	(1,811)
Accounts payable and accrued liabilities	24,440	(11,989)
Employee deductions payable	(1,266)	7,489
Deferred revenue	<u>13,577</u>	2,173
	<u>(6,789)</u>	(10,059)
Cash flow from operating activities	<u>136,074</u>	40,127
INVESTING ACTIVITY		
Short-term investment	-	100,000
Cash flow from investing activity	<u>-</u>	100,000
FINANCING ACTIVITY		
Note payable	<u>(62,500)</u>	(62,500)
INCREASE IN CASH FLOW	<u>73,574</u>	77,627
CASH - BEGINNING OF YEAR	<u>197,941</u>	120,314
CASH - END OF YEAR	<u>\$ 271,515</u>	\$ 197,941
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ -	\$ 1,725

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

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.

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.

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.

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CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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 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 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.

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building	\$ 254,605	\$ 74,609	\$ 179,996	\$ 187,496
Computer equipment	18,773	18,425	348	497
Computer software	9,390	9,333	57	126
Furniture and equipment	30,065	26,692	3,373	4,216
	\$ 312,833	\$ 129,059	\$ 183,774	\$ 192,335

4. 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 6).

5. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as of December 31, 2019. 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.

6. NOTE PAYABLE

Note payable represents the amount payable to Douglas A. Taylor & Associates Limited (Note 4). 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.

7. OTHER INCOME

Other income includes \$35,207 received from NWPCA for co-hosting the Canadian Plant Tours.

8. BANK CREDIT FACILITY

The Association has a bank credit facility with Bank of Montreal ("BMO") to a maximum of \$50,000 at any time and consists of the following:

Corporate Mastercard with terms determined by the Corporate Mastercard agreement.

CANADIAN WOOD PALLET AND CONTAINER ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

9. 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, 2019.

(a) 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 reviews a new customer's credit history before extending credit and 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.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, note payable, and accounts payable.

(c) 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, accounts receivable, and accounts payable held in U.S. dollars. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.