

**Canadian Association for
Environmental Analytical
Laboratories Inc.
Financial Statements
December 31, 2005**

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Auditors' Report

To the Members of the
Canadian Association for Environmental Analytical Laboratories Inc.

We have audited the financial position of Canadian Association for Environmental Analytical Laboratories Inc. as at December 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Associations's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Ottawa, Canada
January 19, 2006

Canadian Association for Environmental Analytical Laboratories Inc. Operations

Year ended December 31, 2005

	<u>31/12/2005</u> <u>(12 months)</u>	31/12/2004 <u>(9 months)</u>
	\$	\$
Revenue		
Evaluations	2,683,043	1,909,800
Interest and sundry income	29,790	7,062
Memberships	149,485	106,864
Projects	55,873	16,451
Training	<u>87,568</u>	<u>36,601</u>
	<u>3,005,759</u>	<u>2,076,778</u>
Expenses		
Accreditation transition costs		28,077
Advertising	18,072	35,659
Amortization of capital assets	24,140	18,697
Bad debts	5,435	5,137
Compensation review project	6,400	
Copying and printing	26,512	17,203
Evaluations	1,425,111	1,097,120
Insurance	37,735	24,302
International memberships	12,172	
Loss on foreign exchange	7,514	3,093
Office and telecommunications	76,408	49,579
Postage and shipping	17,682	17,590
Professional fees	27,087	18,547
Projects	38,035	
Rent and relocation	118,815	67,308
Salaries, benefits and consulting fees	932,609	685,867
Training	47,454	30,367
Travel and meetings	<u>83,227</u>	<u>65,189</u>
	<u>2,904,408</u>	<u>2,163,735</u>
Excess (deficiency) of revenue over expenses	<u>101,351</u>	<u>(86,957)</u>

The accompanying notes are an integral part of the financial statements.

These financial statements do not reflect the substantial value of services contributed by volunteers.

Canadian Association for Environmental Analytical Laboratories Inc.

Changes in Net Assets

Year ended December 31, 2005

			31/12/2005	31/12/2004
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	81,815	457,136	538,951	625,908
Excess (deficiency) of revenue over expenses	(24,140)	125,491	101,351	(86,957)
Investment in capital assets	<u>8,315</u>	<u>(8,315)</u>	<u> </u>	<u> </u>
Balance, end of year	<u>65,990</u>	<u>574,312</u>	<u>640,302</u>	<u>538,951</u>

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Canadian Association for Environmental Analytical Laboratories Inc.

Cash Flows

Year ended December 31, 2005

	<u>31/12/2005</u> <u>(12 months)</u> \$	<u>31/12/2004</u> <u>(9 months)</u> \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	101,351	(86,957)
Non-cash items		
Amortization of capital assets	24,140	18,697
Gain on disposal of capital assets	(595)	
Changes in working capital items (Note 3)	<u>546,303</u>	<u>298,540</u>
Cash flows from operating activities	<u>671,199</u>	<u>230,280</u>
INVESTING ACTIVITIES		
Purchase of investments	(702,822)	(257,057)
Redemption of investments	100,000	200,000
Acquisition of capital assets	(8,315)	(48,055)
Proceeds on disposal of capital assets	<u>595</u>	
Cash flows from investing activities	<u>(610,542)</u>	<u>(105,112)</u>
Net increase in cash	60,657	125,168
Cash, beginning of year	<u>308,666</u>	<u>183,498</u>
Cash, end of year	<u>369,323</u>	<u>308,666</u>

The accompanying notes are an integral part of the financial statements.

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Canadian Association for Environmental Analytical Laboratories Inc.

Financial Position


December 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
Current assets		
Cash	369,323	308,666
Temporary investments (Note 4)	279,680	
Accounts receivable	268,779	424,554
Prepaid expenses	<u>65,486</u>	<u>50,202</u>
	983,268	783,422
Long-term investments (Note 5)	631,426	308,284
Capital assets (Note 6)	<u>65,990</u>	<u>81,815</u>
	<u><u>1,680,684</u></u>	<u><u>1,173,521</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	391,372	593,356
Deferred revenue	<u>649,010</u>	<u>41,214</u>
	<u><u>1,040,382</u></u>	<u><u>634,570</u></u>
NET ASSETS		
Invested in capital assets	65,990	81,815
Unrestricted	<u>574,312</u>	<u>457,136</u>
	<u><u>640,302</u></u>	<u><u>538,951</u></u>
	<u><u>1,680,684</u></u>	<u><u>1,173,521</u></u>

The accompanying notes are an integral part of the financial statements.

These financial statements do not reflect the substantial value of services contributed by volunteers.

On behalf of the Board



 Director



 Director

Canadian Association for Environmental Analytical Laboratories Inc.

Notes to Financial Statements

December 31, 2005

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Canadian Association for Environmental Analytical Laboratories Inc., (CAEAL) is a non-profit organization, incorporated without share capital under the Canada Corporations Act, to raise the level of competency, consistency, capability and communication within environmental testing laboratories in Canada, and under the provisions of the Income Tax Act, it is exempt from income tax.

Effective December 31, 2004 CAEAL has adopted a calendar year-end, current results are for a twelve month period, however, comparative results are for a nine month period.

2 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Association may undertake in the future. Actual results may differ from these estimates.

Amortization

Capital assets are recorded at cost and amortized over their estimated useful lives according to the following methods, annual rate and period:

	<u>Methods</u>	<u>Rate and period</u>
Office equipment and furniture	Diminishing balance	20%
Computer equipment	Straight-line	4 years

Revenue recognition

CAEAL follows the deferral method of accounting for contributions. Under this method, contributions restricted for future periods are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated services

The work of the Association is assisted by the contribution of time and expenses by volunteers, the value of which is not recognized in these financial statements.

Temporary and long-term investments

Temporary investments consisting of guaranteed investment certificates are recorded at cost plus accrued interest, which approximate fair value on a portfolio basis. Long-term investments are carried at cost plus reinvested revenue and are written down to their fair market value when a decline in value is other than temporary.

Canadian Association for Environmental Analytical Laboratories Inc.

Notes to Financial Statements

December 31, 2005

2 - ACCOUNTING POLICIES (Continued)

Foreign currency translation

Revenue and expenses denominated in foreign currency are translated at the average rate in effect during the year. Gains and losses are included in the statement of operations.

3 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	<u>31/12/2005</u> <u>(12 months)</u>	<u>31/12/2004</u> <u>(9 months)</u>
	\$	\$
Accounts receivable	155,775	464,492
Prepaid expenses	(15,284)	(4,517)
Accounts payable and accrued liabilities	(201,984)	63,646
Deferred revenue	607,796	(225,081)
	<u>546,303</u>	<u>298,540</u>

4 - TEMPORARY INVESTMENTS

	<u>2005</u>	<u>2004</u>
	\$	\$
Guaranteed investment certificates, 2.1%, maturing in October 2006	<u>279,680</u>	<u> </u>

5 - LONG-TERM INVESTMENTS

	<u>2005</u>	<u>2004</u>
	Units	\$
TD Money Market Fund	35,924	360,091
TD Short-Term Bond Fund	13,276	132,535
TD Monthly Income Fund	9,357	138,800
	<u>58,557</u>	<u>631,426</u>
		<u>308,284</u>

Canadian Association for Environmental Analytical Laboratories Inc.

Notes to Financial Statements

December 31, 2005

6 - CAPITAL ASSETS

	2005		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment and furniture	67,378	31,834	35,544
Computer equipment	112,280	81,834	30,446
	<u>179,658</u>	<u>113,668</u>	<u>65,990</u>
	2004		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment and furniture	67,378	22,948	44,430
Computer equipment	109,365	71,980	37,385
	<u>176,743</u>	<u>94,928</u>	<u>81,815</u>

7 - FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments.

The carrying amount of long term investments approximates their fair value.

8 - COMMITMENTS

The Association has entered into long-term lease agreements expiring on September 16, 2008 and January 31, 2011 which require lease payments of \$432,862 for the rental of premises and office equipment. Minimum lease payments for the next five years are \$93,948 in 2006, \$91,816 in 2007, \$88,666 in 2008, and \$79,216 in 2009 and 2010.

Canadian Association for Environmental Analytical Laboratories Inc.

Supplementary Information

Year ended December 31, 2005

	31/12/2005		31/12/2004					
	Proficiency Testing	Site Assessments	Training	International Activities	Administration	Inter-Program	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Evaluations	1,812,975	645,160		224,908	29,790		2,683,043	1,909,800
Interest and sundry income					141,710		29,790	7,062
Memberships							149,485	106,864
Projects			87,568	55,873			55,873	16,451
Training							87,568	36,601
Administration and general allocation					142,593	(142,593)		
	<u>1,812,975</u>	<u>645,160</u>	<u>87,568</u>	<u>288,556</u>	<u>314,093</u>	<u>(142,593)</u>	<u>3,005,759</u>	<u>2,076,778</u>
Expenses								
Accreditation transition costs								28,077
Advertising	395	293	750	451	16,183		18,072	35,659
Amortization of capital assets					24,140		24,140	18,697
Bad debts					5,435		5,435	5,137
Compensation review project					6,400		6,400	
Copying and printing	4,096		948		21,468		26,512	17,203
Evaluations	972,767	370,509		81,835			1,425,111	1,097,120
Insurance	6,226	13,816	1,796	914	14,983		37,735	24,302
International memberships				12,172			12,172	
Loss on foreign exchange				843	6,594		7,514	3,093
Office and telecommunications	6,066	6,543	853	424	62,522		76,408	49,579
Postage and shipping	2,489	6,206	732	969	7,286		17,682	17,590
Professional fees		630			26,457		27,087	18,547
Projects				38,035			38,035	
Rent and relocation	18,736	41,543	5,409	2,752	50,375		118,815	67,308
Salaries, benefits and consulting fees	208,531	438,973	59,970	42,219	182,916		932,609	685,867
Training	1,524	3,807	47,454				47,454	30,367
Travel and meetings	33,091	72,241	9,665	4,816	36,545	(142,593)	83,227	65,189
Administration and general allocation					22,780			
	<u>1,253,998</u>	<u>954,561</u>	<u>128,556</u>	<u>225,802</u>	<u>484,084</u>	<u>(142,593)</u>	<u>2,904,408</u>	<u>2,163,735</u>
Excess (deficiency) of revenues over expenses	<u>558,977</u>	<u>(309,401)</u>	<u>(40,988)</u>	<u>62,754</u>	<u>(169,991)</u>		<u>101,351</u>	<u>(86,957)</u>