

**Canadian Association for
Environmental Analytical
Laboratories Inc.**

**Financial Statements
December 31, 2006**

Auditors' Report	2
Financial Statements	
Operations	3
Changes in Net Assets	4
Cash Flows	5
Financial Position	6
Notes to Financial Statements	7 - 9

Auditors' Report

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

We have audited the statement of financial position of Canadian Association for Environmental Analytical Laboratories Inc. as at December 31, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Ottawa, Canada
January 19, 2007

Canadian Association for Environmental Analytical Laboratories Inc. Operations

Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
Revenue		
Evaluations	3,033,273	2,683,043
Interest and sundry income	58,688	29,790
Memberships	153,376	149,485
Projects	11,232	55,873
Training	<u>115,497</u>	<u>87,568</u>
	<u>3,372,066</u>	<u>3,005,759</u>
Expenses		
Advertising	30,458	18,072
Amortization of capital assets	31,614	24,140
Bad debts	864	5,435
Compensation review project		6,400
Copying and printing	21,226	26,512
Evaluations	1,468,693	1,425,111
(Gain) loss on foreign exchange	(2,204)	7,514
Insurance	40,452	37,735
International memberships	14,046	12,172
Office and telecommunications	67,233	76,408
Postage and shipping	18,184	17,682
Professional fees	30,278	27,087
Projects		38,035
Rent and relocation	165,495	118,815
Salaries, benefits and consulting fees	1,030,239	932,609
Training	41,047	47,454
Travel and meetings	<u>76,003</u>	<u>83,227</u>
	<u>3,033,628</u>	<u>2,904,408</u>
Excess of revenue over expenses	<u>338,438</u>	<u>101,351</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, 2006

	2006		2005
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	65,990	574,312	640,302
Excess (deficiency) of revenue over expenses	(31,614)	370,052	338,438
Investment in capital assets	15,776	(15,776)	
Balance, end of year	50,152	928,588	978,740

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. Cash Flows

Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	338,438	101,351
Non-cash items		
Amortization of capital assets	31,614	24,140
Gain on disposal of capital assets		(595)
Gain on disposal of investments	(14,594)	
Investment revenues reinvested	(15,761)	
Changes in working capital items		
Accounts receivable	(48,658)	154,234
Prepaid expenses	4,220	(15,284)
Accounts payable and accrued liabilities	272,768	(201,984)
Deferred revenues	(33,479)	607,796
Cash flows from operating activities	<u>534,548</u>	<u>669,658</u>
INVESTING ACTIVITIES		
Purchase of investments	(1,828,632)	(701,281)
Redemption of investments	1,373,278	100,000
Acquisition of capital assets	(15,776)	(8,315)
Proceeds on disposal of capital assets		595
Cash flows from investing activities	<u>(471,130)</u>	<u>(609,001)</u>
Net increase in cash	63,418	60,657
Cash, beginning of year	<u>369,323</u>	<u>308,666</u>
Cash, end of year	<u>432,741</u>	<u>369,323</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.


Financial Position

December 31, 2006


	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
Current assets		
Cash	432,741	369,323
Temporary investments (Note 4)	843,834	278,139
Accounts receivable	318,978	270,320
Prepaid expenses	<u>61,266</u>	<u>65,486</u>
	1,656,819	983,268
Long-term investments (Note 5)	551,441	631,426
Capital assets (Note 6)	<u>50,152</u>	<u>65,990</u>
	<u><u>2,258,412</u></u>	<u><u>1,680,684</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	664,141	391,372
Deferred revenues	<u>615,531</u>	<u>649,010</u>
	<u><u>1,279,672</u></u>	<u><u>1,040,382</u></u>
NET ASSETS		
Invested in capital assets	50,152	65,990
Unrestricted	<u>928,588</u>	<u>574,312</u>
	<u>978,740</u>	<u>640,302</u>
	<u><u>2,258,412</u></u>	<u><u>1,680,684</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, 2006

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.

2 - CHANGE IN ACCOUNTING ESTIMATE

Contrary to prior years, computer equipment is being amortized at an annual rate of 45% on the straight line basis increased from a 25% rate applied in previous years. Management believes this estimate better reflects the estimated useful life of these assets. The effect of this change in the current period is an increase in amortization expense of approximately \$10,500.

3 - 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.

Revenue recognition

As a general principle 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 in revenue when received, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The principle sources of revenue and their respective recognition policies are as follows:

- Evaluation revenue is recognized as the tests are completed and revenue is earned;
- Interest income is accrued based on the number of days the investment is held and recognized as earned. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are calculated on an average cost basis;
- Membership revenue is deferred and recognized monthly over the term of the membership;
- Revenues derived from projects are recognized upon completion of performance of the service;
- Training revenues are deferred and recognized as the training event takes place;

Canadian Association for Environmental Analytical Laboratories Inc.

Notes to Financial Statements

December 31, 2006

3 - ACCOUNTING POLICIES (Continued)

Amortization

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

	<u>Methods</u>	<u>Rates</u>
Office equipment and furniture	Diminishing balance	20%
Computer equipment	Straight-line	45%

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 and common shares are recorded at cost, which approximate fair value on a portfolio basis. Long-term investments are carried at cost and are written down to their fair market value when a decline in value is considered other than temporary.

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.

4 - TEMPORARY INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Guaranteed investment certificates, 3.7%, maturing in May 2007	658,767	278,139
Shares in public companies, at cost * (market value \$154,032)	147,832	
Real estate investment trust (market value \$37,165)	37,235	
	<u>843,834</u>	<u>278,139</u>

* Public companies operating in the following sectors:

Banking and financial services	70%	-
Commercial	15%	-
Energy and resources	13%	-
Transportation	2%	-

Canadian Association for Environmental Analytical Laboratories Inc.

Notes to Financial Statements

December 31, 2006

5 - LONG-TERM INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Various commercial bank mutual fund holdings		631,426
Various government and commercial bond holdings, with interest from 3.6% to 5.5%, and maturities from 2009 to 2037 (market value \$541,734)	<u>551,441</u>	
	<u>551,441</u>	<u>631,426</u>

6 - CAPITAL ASSETS

	<u>2006</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Office equipment and furniture	70,875	39,584	31,291
Computer equipment	<u>124,559</u>	<u>105,698</u>	<u>18,861</u>
	<u>195,434</u>	<u>145,282</u>	<u>50,152</u>

	<u>2005</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Office equipment and furniture	67,378	31,834	35,544
Computer equipment	<u>112,280</u>	<u>81,834</u>	<u>30,446</u>
	<u>179,658</u>	<u>113,668</u>	<u>65,990</u>

7 - FINANCIAL INSTRUMENTS

Fair Value

Given that they will mature shortly, the carrying amounts of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities approximate their fair values.

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 \$345,515 for the rental of premises and office equipment. Minimum lease payments for the next five years are \$91,816 in 2007, \$88,666 in 2008, \$79,216 in 2009, \$79,216 in 2010 and \$6,601 in 2011.