

**Canadian Association for
Environmental Analytical
Laboratories Inc. (CAEAL)**

**Financial Statements
December 31, 2007**

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Auditors' Report

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

We have audited the statement of financial position of Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL) as at December 31, 2007 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 Association'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, 2007 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,
Licensed Public Accountants

Ottawa, Canada
February 8, 2008

**Canadian Association for Environmental Analytical Laboratories Inc.
(CAEAL)
Operations**

Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
Revenue		
Evaluations	2,833,817	3,033,273
Memberships	157,112	153,376
Projects	23,757	11,232
Training	151,921	115,497
	<u>3,166,607</u>	<u>3,313,378</u>
Expenses		
Advertising	34,808	30,458
Amortization of capital assets	23,313	31,614
Bad debts	1,242	864
Copying and printing	18,184	21,226
Evaluations	1,442,982	1,468,693
Insurance	35,846	40,452
International memberships	13,846	14,046
Office and telecommunications	70,853	67,233
Postage and shipping	17,935	18,184
Professional fees	16,973	30,278
Rent	169,268	165,495
Salaries, benefits and consulting fees	1,066,844	1,030,239
Training	46,685	41,047
Travel and meetings	98,150	76,003
	<u>3,056,929</u>	<u>3,035,832</u>
	<u>109,678</u>	<u>277,546</u>
Other (revenues) and expenses		
(Gain) loss on foreign exchange	6,526	(2,204)
Interest and sundry income	(35,617)	(58,688)
Loss on disposal of available for sale investments	1,538	
	<u>(27,553)</u>	<u>(60,892)</u>
Excess of revenue over expenses	<u>137,231</u>	<u>338,438</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. (CAEAL)

Changes in Net Assets

Year ended December 31, 2007

	2007		2006
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	50,152	928,588	978,740
Excess (deficiency) of revenue over expenses	(23,313)	160,544	137,231
Investment in capital assets	10,656	(10,656)	
	<u>37,495</u>	<u>1,078,476</u>	<u>1,115,971</u>
Cumulative gains and losses:			
Unrealized gains on available for sale investments as of January 1, 2007		24,864	24,864
Unrealized gains on available-for-sale investments during the year		7,516	7,516
Reclassification to the statement of operations for disposals of available for sale investments during the year		(1,303)	(1,303)
		<u>31,077</u>	<u>31,077</u>
Balance, end of year	<u>37,495</u>	<u>1,109,553</u>	<u>1,147,048</u>

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Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL)

Cash Flows

Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	137,231	338,438
Non-cash items		
Amortization of capital assets	23,313	31,614
Loss (gain) on disposal of available for sale investments	1,538	(14,594)
Changes in working capital items		
Accounts receivable	81,456	(48,658)
Prepaid expenses	(95,572)	4,220
Accounts payable and accrued liabilities	(261,077)	272,768
Deferred revenues	(711)	(33,479)
Cash flows from operating activities	<u>(113,822)</u>	<u>550,309</u>
INVESTING ACTIVITIES		
Purchase of investments	(598,924)	(1,844,393)
Redemption of investments	698,432	1,373,278
Acquisition of capital assets	<u>(10,656)</u>	<u>(15,776)</u>
Cash flows from investing activities	<u>88,852</u>	<u>(486,891)</u>
Net (decrease) increase in cash	(24,970)	63,418
Cash, beginning of year	<u>432,741</u>	<u>369,323</u>
Cash, end of year	<u>407,771</u>	<u>432,741</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. (CAEAL)

Financial Position

December 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
ASSETS		
Current assets		
Cash	407,771	432,741
Short-term investments (Note 4)	300,000	658,767
Accounts receivable	237,522	318,978
Prepaid expenses	156,838	61,266
	<u>1,102,131</u>	<u>1,471,752</u>
Long-term investments (Note 5)	1,025,306	736,508
Capital assets (Note 6)	37,495	50,152
	<u>2,164,932</u>	<u>2,258,412</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	403,064	664,141
Deferred revenues	614,820	615,531
	<u>1,017,884</u>	<u>1,279,672</u>
NET ASSETS		
Invested in capital assets	37,495	50,152
Unrestricted	1,109,553	928,588
	<u>1,147,048</u>	<u>978,740</u>
	<u>2,164,932</u>	<u>2,258,412</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. (CAEAL)

Notes to Financial Statements

December 31, 2007

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 laboratories and testing facilities, and under the provisions of the Income Tax Act, it is exempt from income tax.

2 - ACCOUNTING CHANGES

On January 1, 2007, in accordance with the applicable transitional provisions, the Association applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Association. The new standard has no impact on the Association's financial results.

On January 1, 2007, in accordance with the applicable transitional provisions, the Association adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement" and 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook*.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Association remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of net assets at the beginning of the fiscal year of initial application. The financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Association's financial instruments, which were previously recognized at cost:

- Cash is classified as held-for-trading financial assets, which are measured at fair value and changes in fair value are recognized in the statement of operations. This change had no impact on the financial statements as at December 31, 2007;
- Accounts receivable are classified as loans and receivables. Accounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at December 31, 2007;

Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL)

Notes to Financial Statements

December 31, 2007

2 - ACCOUNTING CHANGES (Continued)

- The short-term and long-term investments are classified as available-for-sale investments. They are recognized at fair value and changes in fair value are recognized in the statement of changes in net assets until the investments are sold or are impaired. As at December 31, 2006, the carrying amount and fair value of the investments were \$1,395,274 and \$1,420,138 respectively. This change led to an increase in investments and net assets of \$24,864 as at January 1, 2007 and an increase in investments of \$6,214 and net assets of \$31,078 as at December 31, 2007 and for the year then ended; and
- Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no impact on the financial statements as at December 31, 2007.

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. If the amount to be received can be reasonably estimated and collection is reasonably assured, unrestricted contributions are recognized as revenue when received.

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

- 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 using actual investment costs.
- 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; and
- Training revenues are deferred and recognized as the training event takes place.

Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL)

Notes to Financial Statements

December 31, 2007

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.

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 - SHORT-TERM INVESTMENTS

	<u>2007</u>		<u>2006</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	\$	\$	\$	\$
Guaranteed investment certificates, 4.3% , maturing September 2008	<u>300,000</u>	<u>300,000</u>	<u>658,767</u>	<u>658,767</u>
	<u>300,000</u>	<u>300,000</u>	<u>658,767</u>	<u>658,767</u>

5 - LONG-TERM INVESTMENTS

	<u>2007</u>		<u>2006</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	\$	\$	\$	\$
Various government and commercial bond holdings, with interest from 3.6% to 5.5%, and maturities from 2009 to 2037	777,200	719,028	516,979	551,440
Shares in public companies *	203,743	190,859	154,032	147,833
Real estate investment trust	44,363	50,100	37,165	37,235
	<u>1,025,306</u>	<u>959,987</u>	<u>708,176</u>	<u>736,508</u>

Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL)

Notes to Financial Statements

December 31, 2007

5 - LONG-TERM INVESTMENTS (Continued)

	<u>2007</u>	<u>2006</u>
* Public companies operating in the following sectors:		
Banking and financial services	65%	70%
Commercial	15%	15%
Energy and resources	18%	13%
Transportation	2%	2%

6 - CAPITAL ASSETS

	<u>2007</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Office equipment and furniture	70,876	45,842	25,034
Computer equipment	135,214	122,753	12,461
	<u>206,090</u>	<u>168,595</u>	<u>37,495</u>
			<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	124,559	105,698	18,861
	<u>195,434</u>	<u>145,282</u>	<u>50,152</u>

7 - COMMITMENTS

The Association has entered into long-term lease agreements expiring on January 31, 2011 and August 24, 2012 which require lease payments of \$282,878 for the rental of premises and office equipment. Minimum lease payments for the next five years are \$84,697 in 2008, 2009 and 2010, \$17,450 in 2011 and \$11,337 in 2012.

8 - FINANCIAL RISKS

Credit risk

The financial instruments that potentially expose CAEAL to credit risk are primarily accounts receivable. Since the Association negotiates with a large number of establishments, credit risk is generally diversified. Accounts receivable balances are managed and analyzed on an ongoing basis and accordingly, the exposure to bad debts is not significant.

Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL)

Notes to Financial Statements

December 31, 2007

8 - FINANCIAL RISKS (Continued)

Interest rate risk

The guaranteed investment certificates and bond holdings bear interest at a fixed rate and the Association is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

CAEAL's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

The Association does not use derivative financial instruments to reduce its interest rate exposure.

Exchange risk

As CAEAL has cash and accounts receivable denominated in U.S. dollars, it is exposed to exchange risk. As at December 31, 2007, financial assets in foreign currency represent cash and accounts receivable totaling US\$73,973.

The Association does not use forward exchange contracts to reduce exchange risk exposure.

9 - FUTURE ACCOUNTING STANDARDS

Going Concern – Inclusion of Guidelines in Section 1400, "General Standards of Financial Statement Presentation"

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", requiring management make an assessment of the Association's ability to continue as a going concern. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Association will implement them as of January 1, 2008. The new requirements only address disclosure and will have no impact on the the Association's financial results.

Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants published Section 1535, "Capital Disclosures". This new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Association will implement it as of January 1, 2008. The new accounting standard only addresses disclosure and will have no impact on the Association's financial results.

**Canadian Association for Environmental Analytical Laboratories Inc.
(CAEAL)**

Notes to Financial Statements

December 31, 2007

9 - FUTURE ACCOUNTING STANDARDS (Continued)

Financial Instrument Disclosures

In December 2006, the Canadian Institute of Chartered Accountants issued two new accounting standards: Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". These new sections which replace Section 3861 "Financial Instruments - Disclosure and Presentation", revise and enhance disclosure requirements, carrying forward existing presentation requirements. These place increased emphasis on disclosures concerning the nature and management of risk arising from financial instruments. The Association will implement these sections as of January 1, 2008. The new requirements only address disclosure and will have no impact on the financial results.