

**Canadian Association for
Laboratory Accreditation Inc. (CALA)
Financial Statements
December 31, 2008**

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Raymond Chabot Grant Thornton

Auditors' Report

Raymond Chabot Grant Thornton
S.E.N.C.R.L./LLP
2505 St-Laurent
Ottawa, Ontario K1H 1E4

Tel.: 613 236-2211
Fax: 613 236-6104

www.rcgt.com

To the Members of the
Canadian Association for Laboratory Accreditation Inc. (CALA)

We have audited the statement of financial position of the Canadian Association for Laboratory Accreditation Inc. (CALA) as at December 31, 2008 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, 2008 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 10, 2009

Canadian Association for Laboratory Accreditation Inc. (CALA)

Financial Position

December 31, 2008

	2008 \$	2007 \$
ASSETS		
Current assets		
Cash	259,567	407,771
Short-term investments (Note 4)	515,841	303,831
Accounts receivable	339,296	229,579
Prepaid expenses	100,323	156,838
	1,215,027	1,098,019
Long-term investments (Note 5)	1,090,995	1,029,418
Capital assets (Note 6)	33,159	37,495
	2,339,181	2,164,932
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	456,521	403,064
Deferred revenues	680,393	614,820
	1,136,914	1,017,884
NET ASSETS		
Invested in capital assets	33,159	37,495
Unrestricted	1,169,108	1,109,553
	1,202,267	1,147,048
	2,339,181	2,164,932

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 Laboratory Accreditation Inc. (CALA)

Operations

Year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Revenue		
Evaluations	2,983,421	2,833,817
Memberships	156,525	157,112
Projects, net	76,942	23,757
Training	145,676	151,921
	<u>3,362,564</u>	<u>3,166,607</u>
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Expenses		
Advertising	66,910	34,808
Amortization of capital assets	16,745	23,313
Bad debts	282	1,242
Copying and printing	18,288	18,184
Evaluations	1,498,356	1,442,982
Insurance	35,769	35,846
International memberships	12,837	13,846
Office and telecommunications	67,099	70,853
Postage and shipping	21,186	17,935
Professional fees	65,734	16,973
Rent	178,518	169,268
Salaries, benefits and consulting fees	1,124,364	1,066,844
Training	49,716	46,685
Travel and meetings	140,700	98,150
	<u>3,296,504</u>	<u>3,056,929</u>
	-----	-----
Other (revenues) and expenses		
(Gain) loss on foreign exchange	(17,580)	6,526
Interest and sundry income	(49,557)	(35,617)
(Gain) loss on disposal of available for sale investments	(2,177)	1,538
	<u>(69,314)</u>	<u>(27,553)</u>
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Excess of revenue over expenses	<u>135,374</u>	<u>137,231</u>
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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 Laboratory Accreditation Inc. (CALA) Changes in Net Assets

Year ended December 31, 2008

	2008		2007
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	37,495	1,078,476	1,115,971
Excess (deficiency) of revenue over expenses	(16,745)	152,119	135,374
Acquisition of capital assets	12,409	(12,409)	
	33,159	1,218,186	1,251,345
Cumulative gains and losses on available for sale investments:			
Balance, beginning of year		31,077	31,077
Reclassification to the statement of operations for disposals of available for sale investments during the year		2,177	2,177
Variation in unrealized gains and losses on available-for-sale financial assets arising during the year		(82,332)	(82,332)
		(49,078)	7,516
Balance, end of year	33,159	1,169,108	1,202,267

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 Laboratory Accreditation Inc. (CALA)

Cash Flows

Year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	135,374	137,231
Non-cash items		
Amortization of capital assets	16,745	23,313
Loss (gain) on disposal of available for sale investments	(2,177)	1,538
Changes in working capital items		
Accounts receivable	(109,717)	89,399
Prepaid expenses	56,515	(95,572)
Accounts payable and accrued liabilities	53,457	(261,077)
Deferred revenues	65,573	(711)
Cash flows from operating activities	<u>215,770</u>	<u>(105,879)</u>
INVESTING ACTIVITIES		
Purchase of investments	(655,396)	(606,867)
Redemption of investments	303,831	698,432
Acquisition of capital assets	(12,409)	(10,656)
Cash flows from investing activities	<u>(363,974)</u>	<u>80,909</u>
Net decrease in cash	(148,204)	(24,970)
Cash, beginning of year	<u>407,771</u>	<u>432,741</u>
Cash, end of year	<u>259,567</u>	<u>407,771</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 Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

On June 23, 2008, the Canadian Association for Environmental Analytical Laboratories Inc. (CAEAL) formally changed its name to the Canadian Association for Laboratory Accreditation Inc. (CALA). The Canadian Association for Laboratory Accreditation Inc. (CALA), 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, 2008, in accordance with the applicable transitional provisions, the Association applied the recommendations of the modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Association's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008. The new requirements only address disclosures and had no impact on the Association's financial results.

In January 1, 2008, in accordance with the applicable transitional provisions, the Association applied the recommendations of the new Section 1535, "Capital Disclosures", of the Canadian Institute of Chartered Accountants' Handbook. The new section establishes standards for disclosing information about an entity's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Association's financial results.

3 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

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.

Financial assets and liabilities

The Association has chosen to apply the recommendations of Section 3861, "Financial Instruments - Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants Handbook* with respect to the presentation and disclosure of financial instruments.

Canadian Association for Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

3 - ACCOUNTING POLICIES (Continued)

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from available-for-sale financial assets and held-to-maturity investments increase the carrying amount of the related financial assets. Routine purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets and liabilities

Cash is classified as a held-for-trading financial asset.

Available for sale financial assets

Short-term investments and long-term investments which include bonds, guaranteed investment certificates and equity instruments are classified as available for sale financial assets and are measured at their fair value. The fair value is based on the current bid price.

Unrealized gains or losses relating to available for sale financial assets where investment income is not externally restricted are recognized in the statement of changes in net assets until these gains or losses are realized or a decline in value of the financial asset is other than temporary. When investments are sold or sustain a decline in value that is other than temporary, the related accumulated gains or losses, which are presented in the statement of changes in net assets, are then reclassified in the statement of operations under other revenues and expenses.

Loans and receivables and other financial liabilities

Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. These financial instruments are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in the statement of operations.

Revenue recognition

CALA 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 earned.

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 recognized based on the number of days the investment was held during the year and is calculated using the effective interest method. Dividends are recognized as of the ex-dividend date.
- Membership revenue is deferred and recognized on a straight-line basis over the term of the membership;
- Revenues derived from projects are recognized as the services are rendered; and
- Training revenues are recognized when the training event takes place.

Canadian Association for Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

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%

Foreign currency translation

Monetary assets in foreign currency are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year. Gains and losses are included in the statement of operations.

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.

4 - SHORT-TERM INVESTMENTS

These investments represent guaranteed investment certificates, bearing interest at rates varying from 2.05% - 3.05% (4.3% in 2007) maturing from September to December 2009. The guaranteed investment certificates have a par value of \$512,935 (\$300,000 in 2007).

5 - LONG-TERM INVESTMENTS

	<u>2008</u>		<u>2007</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	\$	\$	\$	\$
Various government and commercial bond holdings, at rates varying interest from 3.6% to 5.73% (3.6% - 5.5% in 2007), and maturities from 2010 to 2037	899,762	899,859	781,312	774,812
Shares in public companies *	161,352	221,846	203,743	197,060
Real estate investment trust	29,881	51,622	44,363	50,030
	<u>1,090,995</u>	<u>1,173,327</u>	<u>1,029,418</u>	<u>1,021,902</u>

Canadian Association for Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

5 - LONG-TERM INVESTMENTS (Continued)

	<u>2008</u>	<u>2007</u>
* Public companies operating in the following sectors:		
Banking and financial services	63%	65%
Commercial	18%	15%
Energy and resources	17%	18%
Transportation	2%	2%

6 - CAPITAL ASSETS

	<u>2008</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Office equipment and furniture	72,690	51,030	21,660
Computer equipment	145,809	134,310	11,499
	<u>218,499</u>	<u>185,340</u>	<u>33,159</u>
			<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>

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 \$198,181 for the rental of premises and office equipment. Minimum lease payments for the next four years are \$84,697 in 2009 and 2010, \$17,450 in 2011 and \$11,337 in 2012.

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

The Association is exposed to various financial risks resulting from both its operations and its investment activities. The Association's management manages financial risks.

The Association does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Canadian Association for Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS *(Continued)*

The Association's main financial risk exposure is as follows:

Credit risk

The financial instruments that potentially expose CALA 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.

The majority of the Association's cash is held with one financial institution.

Interest rate risk

The guaranteed investment certificates and bonds 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.

CALA'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.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as bank loans for a sufficient authorized amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Exchange risk

As CALA has cash and accounts receivable denominated in U.S. dollars, it is exposed to exchange risk. As at December 31, 2008, 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 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Association's capital management objectives are to ensure that the Association has the ability to continue as a going concern and to meet its financial obligations while providing the most cost effective and self sustaining accreditation services available in Canada.

The Association is not subject to any externally imposed capital requirements.

10 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

Canadian Association for Laboratory Accreditation Inc. (CALA)

Notes to Financial Statements

December 31, 2008

11 - FUTURE ACCOUNTING STANDARDS

In September 2008, the Canadian Institute of Chartered Accountants (CICA) amended the introductions to accounting standards that apply only to not-for-profit organizations and several sections of series 4400 as well as consequential changes to other sections of the *CICA Handbook*. The main changes affect the following, in particular:

- Inclusion of not-for-profit organizations within the scope of Section 1540 "Cash Flow Statements", and 1751, "Interim Financial Statements";
- Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions in question;
- Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430 "Capital Assets Held by Not-for-profit Organizations" for smaller entities.

The CICA also published new Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations" which establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which expenses relate.

These new standards are in effect for fiscal years beginning on or after January 1, 2009, and the Association will implement them as of that date. The Association's management has not yet measured the impact that the application of these new standards will have on the financial statements.