

**Canadian Association for
Laboratory Accreditation Inc.**

**Financial Statements
December 31, 2009**

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Raymond Chabot Grant Thornton

Auditors' Report

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To the Members of the
Canadian Association for Laboratory Accreditation Inc.

We have audited the statement of financial position of the Canadian Association for Laboratory Accreditation Inc. as at December 31, 2009 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, 2009 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, except for the changes as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
February 3, 2010

Canadian Association for Laboratory Accreditation Inc.

Financial Position

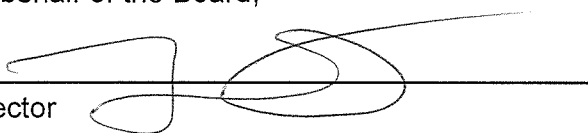
December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
ASSETS		
Current assets		
Cash	275,530	259,567
Short-term investments (Note 4)	527,492	515,841
Amounts receivable (Note 5)	435,457	339,296
Prepaid expenses	<u>75,506</u>	<u>100,323</u>
	1,313,985	1,215,027
Long-term investments (Note 6)	1,177,735	1,090,995
Capital assets (Note 7)	<u>31,800</u>	<u>33,159</u>
	<u>2,523,520</u>	<u>2,339,181</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	503,785	456,521
Deferred revenues	<u>646,365</u>	<u>680,393</u>
	1,150,150	1,136,914
NET ASSETS		
	<u>1,373,370</u>	<u>1,202,267</u>
	<u>2,523,520</u>	<u>2,339,181</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 Laboratory Accreditation Inc.

Operations

Year ended December 31, 2009

	2009	2008
	\$	\$
Revenue		
Evaluations	3,091,907	2,983,421
Memberships	159,792	156,525
Projects, net	11,164	76,942
Training	205,654	145,676
	<u>3,468,517</u>	<u>3,362,564</u>
Expenses		
Advertising and promotion	86,455	66,910
Amortization of capital assets	17,269	16,745
Bad debts	121	282
Copying and printing	17,665	18,288
Evaluations	1,579,449	1,498,356
Insurance	29,619	35,769
International memberships	16,842	12,837
Office and telecommunications	84,463	67,099
Postage and shipping	17,197	21,186
Professional fees	31,035	65,734
Rent	178,989	178,518
Salaries, benefits and consulting fees	1,172,922	1,124,364
Training	51,808	49,716
Travel and meetings	96,951	140,700
	<u>3,380,785</u>	<u>3,296,504</u>
	<u>87,732</u>	<u>66,060</u>
Other revenues		
ILAC/IAF conference (Note 8)	659,205	
Interest and sundry income	47,538	49,557
Gain on disposal of available for sale investments	20,174	2,177
Gain on foreign exchange	1,396	17,580
	<u>728,313</u>	<u>69,314</u>
	<u>816,045</u>	<u>135,374</u>
Other expenses		
ILAC/IAF conference (Note 8)	535,486	
Membership rebates (Note 9)	150,907	
	<u>686,393</u>	
Excess of revenue over expenses	<u>129,652</u>	<u>135,374</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.

Changes in Net Assets

Year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance, beginning of year	1,251,345	1,115,971
Excess of revenue over expenses	<u>129,652</u>	<u>135,374</u>
	<u>1,380,997</u>	<u>1,251,345</u>
Cumulative gains and losses on available for sale investments:		
Balance, beginning of year	(49,078)	31,077
Reclassification to the statement of operations for disposals of available for sale investments during the year	20,174	2,177
Variation in unrealized gains and losses on available for sale financial assets arising during the year	<u>21,277</u>	<u>(82,332)</u>
	<u>(7,627)</u>	<u>(49,078)</u>
Balance, end of year	<u><u>1,373,370</u></u>	<u><u>1,202,267</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.

Canadian Association for Laboratory Accreditation Inc.

Cash Flows

Year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	129,652	135,374
Non-cash items		
Amortization of capital assets	17,269	16,745
Loss on disposal of available for sale investments	(20,174)	(2,177)
Changes in working capital items		
Amounts receivable	(96,161)	(109,717)
Prepaid expenses	24,817	56,515
Accounts payable and accrued liabilities	47,264	53,457
Deferred revenues	(34,028)	65,573
Cash flows from operating activities	<u>68,639</u>	<u>215,770</u>
INVESTING ACTIVITIES		
Purchase of investments	(1,457,472)	(655,396)
Redemption of investments	1,420,706	303,831
Acquisition of capital assets	(15,910)	(12,409)
Cash flows from investing activities	<u>(52,676)</u>	<u>(363,974)</u>
Net increase (decrease) in cash	15,963	(148,204)
Cash, beginning of year	<u>259,567</u>	<u>407,771</u>
Cash, end of year	<u>275,530</u>	<u>259,567</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.

Notes to Financial Statements

December 31, 2009

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Canadian Association for Laboratory Accreditation Inc. 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, is exempt from income tax.

2 - ACCOUNTING CHANGES

Section 1535 - Capital Disclosures

On January 1, 2009, in accordance with the applicable transitional provisions, the Association applied the recommendations of Section 1535, "Capital Disclosures", of the Canadian Institute of Chartered Accountants' (CICA) Handbook. This new Section, effective for fiscal years beginning on or after August 1, 2008, establishes standards for disclosing information about the Association's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Association's financial results.

New CICA Recommendations on Not-for-profit Organizations

On January 1, 2009, in accordance with the applicable transitional provisions, the Association applied recommendations which resulted from the CICA modification of various Sections of the 4400 series, as well as other correlative changes to other Sections of the CICA handbook. The main changes, effective for fiscal years beginning on or after January 1, 2009, concern the following items:

Inclusion of not-for-profit organizations within the scope of sections 1540, "Cash Flow 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 the not-for-profit organization is acting as a principal in the 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 the not-for-profit organization that classifies its expenses by function and allocates expenses to a number of functions to which the expenses relate.

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2009

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 CICA Handbook with respect to the presentation and disclosure of financial instruments.

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

Subsequently, financial assets and liabilities are measured and recognized as follow:

Held-for-trading financial assets

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 are recognized in the statement of changes in unrestricted 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 unrestricted net assets, are then reclassified in the statement of operations under other revenues and expenses.

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2009

3 - ACCOUNTING POLICIES (Continued)

Loans and receivables and other financial liabilities

Amounts 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 under interest and sundry income.

Revenue recognition

The Association 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 and conferences are recognized as the services are rendered; and
- Training revenues are recognized when the training event takes place.

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.

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2009

4 - SHORT-TERM INVESTMENTS

These investments represent guaranteed investment certificates, bearing interest at rates of 0.95% (2.05% - 3.05% in 2008) maturing from September to December 2010. The guaranteed investment certificates have a par value of \$526,647 (\$512,935 in 2008).

5 - AMOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
	\$	\$
Trade receivables	271,110	339,296
ILAC/IAF conference receivable	164,347	
	<u>435,457</u>	<u>339,296</u>

6 - LONG-TERM INVESTMENTS

	<u>2009</u>		<u>2008</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	\$	\$	\$	\$
Various government and commercial bond holdings, redeemed during the year			899,762	899,859
Shares in public companies *	364,459	377,267	161,352	221,846
Real estate investment trust, redeemed during the year			29,881	51,622
Fixed income bond index fund	813,276	821,745		
	<u>1,177,735</u>	<u>1,199,012</u>	<u>1,090,995</u>	<u>1,173,327</u>

	<u>2009</u>	<u>2008</u>
* Public companies operating in the following sectors:		
Banking and financial services	73%	63%
Commercial	12%	18%
Energy and resources	13%	17%
Transportation	2%	2%

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2009

7 - CAPITAL ASSETS

	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment and furniture	75,944	55,883	20,061
Computer equipment	98,601	86,862	11,739
	<u>174,545</u>	<u>142,745</u>	<u>31,800</u>
	2008		
	Cost	Accumulated amortization	Net
	\$	\$	\$
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>

8 - ILAC/IAF CONFERENCE

In October 2009, the Association hosted the International Laboratory Accreditation Cooperation/International Accreditation Forum (ILAC/IAF) conference held in Vancouver, Canada. The conference, with the aim of developing international cooperation for facilitating trade by promotion of the acceptance of accredited test and calibration results, was represented by several international organizations. The majority of the revenues earned from this conference were registration fees, with the remaining amount comprised of sponsorships. The related expenses are general administration costs associated with hosting the event. This annual event is held in cities around the world and is not expected to be held in Canada again in the foreseeable future.

9 - MEMBERSHIP REBATES

The ILAC/IAF conference, as described in Note 8, generated a net surplus of \$123,719 for the Association. In December of 2009, by resolve of the Board of Directors, the Association decided that the surplus arising principally from this conference, was to be distributed to institutional members by issue of a refund of their 2009 membership fees. As a result, \$150,907 was credited to these members by way of a rebate applied against 2010 membership fees. As this decision was a direct result of the ILAC/IAF conference, such membership rebates are not anticipated to occur again.

10 - COMMITMENTS

The Association has entered into long-term lease agreements expiring on January 31, 2011 and August 24, 2012 which require lease payments of \$113,484 for the rental of premises and office equipment. Minimum lease payments for the next three years are \$84,697 in 2010, \$17,450 in 2011 and \$11,337 in 2012.

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2009

11 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association is exposed to and manages various financial risks resulting from both of its operations and its investment activities, and does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Main financial risk exposure is as follows:

Credit risk

The financial instruments that potentially expose the Association to credit risk are primarily amounts receivable, but since the Association negotiates with a large number of entities, credit risk is generally diversified. Moreover, the Association requires laboratories to pre-pay for various services which further mitigates credit risk. Amounts receivable balances are managed and analyzed on an ongoing basis and accordingly, exposure to bad debts is not considered significant. Most of the Association's cash is held with one financial institution.

Interest rate risk

The guaranteed investment certificates bear interest at fixed rates and the Association is, therefore, exposed to the risk of changes in fair values resulting from interest rate fluctuations. As they are non-interest bearing, the Association's other financial assets and liabilities do not constitute an interest rate risk.

Liquidity risk

Liquidity risk is managed to maintain a sufficient reserve of cash. The Association establishes budgets and cash estimates to ensure it has funds necessary to fulfil its obligations.

Exchange risk

As the Association has cash denominated in U.S. dollars, it is exposed to exchange risk. As at December 31, 2009, financial assets in foreign currency represent cash totaling US\$25,899. The Association does not use forward exchange contracts to reduce exchange risk exposure.

12 - 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.