

**Canadian Association for  
Laboratory Accreditation Inc.**

**Financial Statements  
December 31, 2011**

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Canadian Association for Laboratory Accreditation Inc., which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Association for Laboratory Accreditation Inc. as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Report on other legal and regulatory requirements**

As required by the Canada Corporations Act, we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*Raymond Chabot Grant Thornton LLP*

Chartered Accountants,  
Licensed Public Accountants

Ottawa, Canada  
March 8, 2012

# Canadian Association for Laboratory Accreditation Inc.

## Financial Position

December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	444,839	412,612
Short-term investments (Note 3)	483,966	626,181
Amounts receivable (Note 4)	384,028	372,946
Prepaid expenses	<u>50,572</u>	<u>65,365</u>
	<b>1,363,405</b>	1,477,104
Long-term investments (Note 5)	<b>1,258,619</b>	1,238,435
Capital assets (Note 6)	<u>110,169</u>	<u>32,648</u>
	<b><u>2,732,193</u></b>	<b><u>2,748,187</u></b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	490,338	445,522
Deferred revenues	<u>403,565</u>	<u>608,965</u>
	<b>893,903</b>	1,054,487
<b>NET ASSETS</b>	<b><u>1,838,290</u></b>	<b><u>1,693,700</u></b>
	<b><u>2,732,193</u></b>	<b><u>2,748,187</u></b>

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, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>Revenue</b>		
Evaluations	2,603,481	3,063,967
Memberships	160,020	156,335
Projects, net	10,052	2,749
Training	<u>380,524</u>	<u>179,944</u>
	<u>3,154,077</u>	<u>3,402,995</u>
<b>Expenses</b>		
Advertising and promotion	18,527	56,849
Amortization of capital assets	15,869	15,453
Bad debts	2,846	1,012
Copying and printing	15,262	15,995
Evaluations	1,136,312	1,321,691
Insurance	16,801	16,996
International memberships	16,210	15,518
Office and telecommunications	99,754	86,273
Postage and shipping	10,800	13,251
Professional fees	36,165	23,248
Rent	179,275	174,756
Salaries, benefits and consulting fees	1,261,726	1,214,349
Training	158,142	68,950
Travel and meetings	<u>80,576</u>	<u>118,474</u>
	<u>3,048,265</u>	<u>3,142,815</u>
	<u>105,812</u>	<u>260,180</u>
<b>Other revenues</b>		
Investment income, net of investment management fees	34,313	37,909
Loss on disposal of available for sale investments	(1,568)	(16,596)
Loss on foreign exchange		(1,971)
	<u>32,745</u>	<u>19,342</u>
<b>Excess of revenue over expenses</b>	<u>138,557</u>	<u>279,522</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, 2011

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	<u>2011</u>	<u>2010</u>
	\$	\$
Balance, beginning of year	1,660,519	1,380,997
Excess of revenue over expenses	<u>138,557</u>	<u>279,522</u>
	<u>1,799,076</u>	<u>1,660,519</u>
Cumulative gains and losses on available for sale investments:		
Balance, beginning of year	33,181	(7,627)
Reclassification to the statement of operations for disposals of available for sale investments during the year	1,568	16,596
Variation in unrealized gains and losses on available for sale financial assets arising during the year	<u>4,465</u>	<u>24,212</u>
	<u>39,214</u>	<u>33,181</u>
Balance, end of year	<u><u>1,838,290</u></u>	<u><u>1,693,700</u></u>

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# Canadian Association for Laboratory Accreditation Inc.

## Cash Flows

Year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	138,557	279,522
Non-cash items		
Amortization of capital assets	15,869	15,453
Loss on disposal of available for sale investments	1,568	16,596
Changes in working capital items		
Amounts receivable	(11,082)	62,511
Prepaid expenses	14,793	10,141
Accounts payable and accrued liabilities	44,816	(58,263)
Deferred revenues	(205,400)	(37,400)
Cash flows from operating activities	<u>(879)</u>	<u>288,560</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(511,760)	(1,079,235)
Redemption of investments	638,256	944,058
Acquisition of capital assets	(93,390)	(16,301)
Cash flows from investing activities	<u>33,106</u>	<u>(151,478)</u>
<b>Net increase in cash</b>	<b>32,227</b>	<b>137,082</b>
Cash, beginning of year	<u>412,612</u>	<u>275,530</u>
Cash, end of year	<u>444,839</u>	<u>412,612</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, 2011

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### **1 - GOVERNING STATUTES AND NATURE OF OPERATIONS**

The Canadian Association for Laboratory Accreditation Inc. is a not-for-profit organization, incorporated without share capital under the Canada Corporations Act, to raise the level of competency, consistency, capability and communication within laboratories, and under the provisions of the Income Tax Act, is exempt from tax.

### **2 - SUMMARY OF 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, 2011

### 2 - SUMMARY OF 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, 2011

### 3 - SHORT-TERM INVESTMENTS

These investments represent guaranteed investment certificates, bearing interest at a rate of 1.20% (0.75% to 1.30% in 2010) maturing during September 2012. The guaranteed investment certificates have a par value of \$482,301 (\$626,181 in 2010).

### 4 - AMOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
	\$	\$
Trade receivables	<b>384,028</b>	370,699
Accrued interest		2,247
	<b><u>384,028</u></b>	<b><u>372,946</u></b>

### 5 - LONG-TERM INVESTMENTS

	<u>2011</u>		<u>2010</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	\$	\$	\$	\$
Shares in public companies *	<b>329,083</b>	<b>288,598</b>	334,459	291,244
Fixed income bond index fund	<b>929,536</b>	<b>930,807</b>	903,976	914,010
	<b><u>1,258,619</u></b>	<b><u>1,219,405</u></b>	<b><u>1,238,435</u></b>	<b><u>1,205,254</u></b>

	<u>2011</u>	<u>2010</u>
* Public companies operating in the following sectors:		
Banking and financial services	<b>74%</b>	72%
Commercial	<b>11%</b>	13%
Energy and resources	<b>13%</b>	13%
Transportation	<b>2%</b>	2%

# Canadian Association for Laboratory Accreditation Inc.

## Notes to Financial Statements

December 31, 2011

### 6 - CAPITAL ASSETS

	2011		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment and furniture	76,834	63,120	13,714
Computer equipment	93,973	78,618	15,355
Software	81,100		81,100
	<u>251,907</u>	<u>141,738</u>	<u>110,169</u>
	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment and furniture	75,944	59,896	16,048
Computer equipment	89,777	73,177	16,600
	<u>165,721</u>	<u>133,073</u>	<u>32,648</u>

During the year, the Association incurred costs of \$81,100 for the development of a new software system. The system was not in use as of December 31, 2011 and accordingly no amortization was recorded on this asset.

### 7 - COMMITMENTS

The Association has entered into long-term lease agreements expiring on January 31, 2016 and August 24, 2012 which require lease payments of \$344,830 for the rental of premises and office equipment. Minimum lease payments for the next five years are \$90,790 in 2012, \$82,917 in 2013, \$82,467 in 2014, \$81,836 in 2015, and \$6,820 in 2016.

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

#### 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.

#### Financial risks

The Association's main financial risk exposure and its financial risk management policies are as follow:

# Canadian Association for Laboratory Accreditation Inc.

## Notes to Financial Statements

December 31, 2011

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

#### *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 Company 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, 2011, financial assets in foreign currency represent cash totaling US\$25,911 (\$10,631 in 2010). 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 - FUTURE ACCOUNTING STANDARDS**

The Public Sector Accounting Board (PSAB) and Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA), have issued new accounting standards for not-for-profit organizations. These standards would migrate the existing CICA Section 4400 Series, Accounting Standards for Not-for-Profit Organizations, into both the Private Enterprise Accounting Handbook and the Public Sector Accounting Handbook. These changes are effective for fiscal years beginning on or after January 1, 2012 and the Association will implement them as of January 1, 2012. The Association is currently in the process of evaluating the potential impact of adopting these new standards.