

**Canadian Association for
Laboratory Accreditation Inc.**

**Financial Statements
December 31, 2010**

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Raymond Chabot Grant Thornton

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Canadian Association for Laboratory Accreditation Inc., which comprise the statement of financial position as at December 31, 2010 and the statement 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 accounting standards for not-for-profit organizations 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.

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Association for Laboratory Accreditation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
February 14, 2011

Canadian Association for Laboratory Accreditation Inc.


Financial Position

December 31, 2010


	2010	2009
	\$	\$
ASSETS		
Current assets		
Cash	412,612	275,530
Short-term investments (Note 3)	626,181	527,492
Amounts receivable (Note 4)	372,946	435,457
Prepaid expenses	65,365	75,506
	<u>1,477,104</u>	<u>1,313,985</u>
Long-term investments (Note 5)	1,238,435	1,177,735
Capital assets (Note 6)	32,648	31,800
	<u>2,748,187</u>	<u>2,523,520</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	445,522	503,785
Deferred revenues	608,965	646,365
	<u>1,054,487</u>	<u>1,150,150</u>
NET ASSETS	<u>1,693,700</u>	<u>1,373,370</u>
	<u>2,748,187</u>	<u>2,523,520</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, 2010

	2010	2009
	\$	\$
Revenue		
Evaluations	3,063,967	3,091,907
Memberships	156,335	159,792
Projects, net	2,749	11,164
Training	179,944	205,654
	<u>3,402,995</u>	<u>3,468,517</u>
Expenses		
Advertising and promotion	56,849	86,455
Amortization of capital assets	15,453	17,269
Bad debts	1,012	121
Copying and printing	15,995	17,665
Evaluations	1,321,691	1,579,449
Insurance	16,996	29,619
International memberships	15,518	16,842
Office and telecommunications	86,273	84,463
Postage and shipping	13,251	17,197
Professional fees	23,248	31,035
Rent	174,756	178,989
Salaries, benefits and consulting fees	1,214,349	1,172,922
Training	68,950	51,808
Travel and meetings	118,474	96,951
	<u>3,142,815</u>	<u>3,380,785</u>
	<u>260,180</u>	<u>87,732</u>
Other revenues		
ILAC/IAF conference (Note 7)		659,205
Investment income, net of investment management fees (Note 5)	37,909	47,538
Gain (loss) on disposal of available for sale investments	(16,596)	20,174
Gain (loss) on foreign exchange	(1,971)	1,396
	<u>19,342</u>	<u>728,313</u>
	<u>279,522</u>	<u>816,045</u>
Other expenses		
ILAC/IAF conference (Note 7)		535,486
Membership rebates (Note 8)		150,907
		<u>686,393</u>
Excess of revenue over expenses	<u>279,522</u>	<u>129,652</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, 2010

	2010	2009
	\$	\$
Balance, beginning of year	1,380,997	1,251,345
Excess of revenue over expenses	279,522	129,652
	<u>1,660,519</u>	<u>1,380,997</u>
Cumulative gains and losses on available for sale investments:		
Balance, beginning of year	(7,627)	(49,078)
Reclassification to the statement of operations for disposals of available for sale investments during the year	16,596	(20,174)
Variation in unrealized gains and losses on available for sale financial assets arising during the year	24,212	61,625
	<u>33,181</u>	<u>(7,627)</u>
Balance, end of year	<u>1,693,700</u>	<u>1,373,370</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, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	279,522	129,652
Non-cash items		
Amortization of capital assets	15,453	17,269
Loss (gain) on disposal of available for sale investments	16,596	(20,174)
Changes in working capital items		
Amounts receivable	62,511	(96,161)
Prepaid expenses	10,141	24,817
Accounts payable and accrued liabilities	(58,263)	47,264
Deferred revenues	(37,400)	(34,028)
Cash flows from operating activities	<u>288,560</u>	<u>68,639</u>
INVESTING ACTIVITIES		
Purchase of investments	(1,079,235)	(1,457,472)
Redemption of investments	944,058	1,420,706
Acquisition of capital assets	(16,301)	(15,910)
Cash flows from investing activities	<u>(151,478)</u>	<u>(52,676)</u>
Net increase in cash	137,082	15,963
Cash, beginning of year	<u>275,530</u>	<u>259,567</u>
Cash, end of year	<u><u>412,612</u></u>	<u><u>275,530</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.

Notes to Financial Statements

December 31, 2010

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 - 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 follows:

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, 2010

2 - 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 follows:

- 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, 2010

3 - SHORT-TERM INVESTMENTS

These investments represent guaranteed investment certificates, bearing interest at rates of 0.75% to 1.30% (0.95% in 2009) maturing during September 2011. The guaranteed investment certificates have a par value of \$626,181 (\$526,647 in 2009).

4 - AMOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
	\$	\$
Trade receivables	370,699	271,110
ILAC/IAF conference receivable		164,347
Accrued interest	<u>2,247</u>	
	<u><u>372,946</u></u>	<u><u>435,457</u></u>

5 - LONG-TERM INVESTMENTS

	<u>2010</u>		<u>2009</u>	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Shares in public companies *	334,459	291,244	364,459	363,617
Fixed income bond index fund	<u>903,976</u>	<u>914,010</u>	<u>813,276</u>	<u>821,745</u>
	<u><u>1,238,435</u></u>	<u><u>1,205,254</u></u>	<u><u>1,177,735</u></u>	<u><u>1,185,362</u></u>

The long-term investments are managed by an independent brokerage firm and the related cost of management fees are recorded as a reduction of the investment income in the statement of operations. During the year, the Association paid such management fees in the amount of \$12,289 (\$13,675 in 2009) to the brokerage firm.

	<u>2010</u>	<u>2009</u>
* Public companies operating in the following sectors:		
Banking and financial services	72%	73%
Commercial	13%	12%
Energy and resources	13%	13%
Transportation	2%	2%

Canadian Association for Laboratory Accreditation Inc.
Notes to Financial Statements
 December 31, 2010

6 - CAPITAL ASSETS

	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>
	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>

7 - 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.

8 - MEMBERSHIP REBATES

The ILAC/IAF conference, as described in Note 7, generated a net surplus of \$123,719 for the Association during the year ended December 31, 2009. 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.

9 - COMMITMENTS

The Association has entered into long-term lease agreements expiring on January 31, 2016 and August 24, 2012 which require lease payments of \$398,577 for the rental of premises and office equipment. Minimum lease payments for the next five years are \$87,099 in 2011, \$83,538 in 2012, \$75,980 in 2013, \$75,980 in 2014 and \$75,980 in 2015.

Canadian Association for Laboratory Accreditation Inc.

Notes to Financial Statements

December 31, 2010

10 - 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, 2010, financial assets in foreign currency represent cash totaling US\$10,631 (\$25,899 in 2009). The Association does not use forward exchange contracts to reduce exchange risk exposure.

11 - 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.