

**PROMOTIONAL PRODUCT  
PROFESSIONALS OF CANADA INC.  
FINANCIAL REPORT  
OCTOBER 31, 2015**

**PROMOTIONAL PRODUCT  
PROFESSIONALS OF CANADA INC.**

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## REVIEW ENGAGEMENT REPORT

### To the Members of PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

We have reviewed the balance sheet of **PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.** as at October 31, 2015, and the statements of income, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Corporation.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

The comparative figures have been reviewed by other Chartered Professional Accountants.

*Hardy, Normand & Associés L.L.P.<sup>1</sup>*

Montreal  
December 11, 2015

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<sup>1</sup> CPA auditor, CGA, public accountancy permit No. A134872

**PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.**

**STATEMENT OF INCOME**

**FOR THE YEAR ENDED OCTOBER 31, 2015**

**(unaudited)**

	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>		
Membership	\$ 1,016,912	\$ 1,047,029
National convention	833,720	956,335
TOPS	414,410	580,567
Idea book	133,750	141,909
Information technology	98,300	29,326
Education	27,830	34,854
Membership directory	24,793	26,464
Image news	24,030	28,864
Interest	20,851	12,333
Other	35,100	22,042
Change in unrealized fair value of investments	(15,193)	1,539
	<b>2,614,503</b>	<b>2,881,262</b>
<b>DIRECT EXPENSES</b>		
Membership	68,913	79,444
National convention	589,582	623,767
TOPS	305,395	483,671
Idea book	41,120	65,942
Information technology - Product sourcing	176,900	152,975
Information technology - Transition costs	5,000	97,725
Information technology - Information and training	13,216	22,135
Education	51,820	80,586
Membership directory	16,847	39,559
Image news	8,116	18,842
Images	-	890
Rewards program	42,000	31,882
	<b>1,318,909</b>	<b>1,697,418</b>
	<b>1,295,594</b>	<b>1,183,844</b>
<b>OPERATING EXPENSES (Appendix A)</b>	<b>(790,527)</b>	<b>(715,861)</b>
<b>ADMINISTRATIVE EXPENSES (Appendix B)</b>	<b>(489,976)</b>	<b>(513,395)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 15,091</b>	<b>\$ (45,412)</b>

**PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED OCTOBER 31, 2015**  
**(unaudited)**

		Invested in capital assets	Unrestricted	Internally restricted (Note 8)	2015 Total	2014 Total
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$</b>	<b>29,062</b>	<b>\$ 401,316</b>	<b>\$ 526,938</b>	<b>\$ 957,316</b>	<b>\$ 1,002,728</b>
Excess (deficiency) of revenue over expenses		(10,579)	25,670	-	15,091	(45,412)
Investment in capital assets		1,437	(1,437)	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$</b>	<b>19,920</b>	<b>\$ 425,549</b>	<b>\$ 526,938</b>	<b>\$ 972,407</b>	<b>\$ 957,316</b>

**PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.**

**BALANCE SHEET**

**AS AT OCTOBER 31, 2015**  
**(unaudited)**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 761,338	\$ 741,498
Cash - Chapters	726	4,608
Accounts receivable (Note 3)	588,413	553,898
Prepaid expenses	258,459	269,120
Current portion of investments (Note 4)	513,646	826,889
	<b>2,122,582</b>	<b>2,396,013</b>
<b>INVESTMENTS (Note 4)</b>	<b>146,653</b>	<b>-</b>
<b>CAPITAL ASSETS (Note 5)</b>	<b>19,920</b>	<b>29,062</b>
	<b>\$ 2,289,155</b>	<b>\$ 2,425,075</b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities (Note 6)	\$ 152,384	\$ 106,926
Deferred revenue (Note 7)	1,164,364	1,360,833
	<b>1,316,748</b>	<b>1,467,759</b>

**NET ASSETS**

<b>INVESTED IN CAPITAL ASSETS</b>	<b>19,920</b>	<b>29,062</b>
<b>UNRESTRICTED</b>	<b>425,549</b>	<b>401,316</b>
<b>INTERNALLY RESTRICTED (Note 8)</b>	<b>526,938</b>	<b>526,938</b>
	<b>972,407</b>	<b>957,316</b>
	<b>\$ 2,289,155</b>	<b>\$ 2,425,075</b>

COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED OCTOBER 31, 2015**

**(unaudited)**

	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 15,091	\$ (45,412)
Adjustments:		
Interest revenue reinvested	(20,851)	(12,333)
Change in unrealized fair value of investments	15,193	(1,539)
Amortization of capital assets	10,579	23,527
	<b>20,012</b>	<b>(35,757)</b>
Net change in non-cash working capital items (note 11)	<b>(174,865)</b>	<b>(54,686)</b>
	<b>(154,853)</b>	<b>(90,443)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(511,012)	(500,001)
Proceed on disposal of investments	683,260	708,180
Acquisition of capital assets	(1,437)	(8,277)
	<b>170,811</b>	<b>199,902</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,958</b>	<b>109,459</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>746,106</b>	<b>636,647</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 762,064</b>	<b>\$ 746,106</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 761,338	\$ 741,498
Cash - Chapters	726	4,608
	<b>\$ 762,064</b>	<b>\$ 746,106</b>

# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 1. Statutes and nature of activities

Promotional Product Professionals of Canada Inc. (the "Corporation") was incorporated under Part II of the Canada Corporations Act on July 27, 1956, and continued under Canada Not-for-profit Corporations Act, and, consequently, is exempt from income taxes.

The mission of the Corporation is to bring together members of the promotional products industry in order to guide, inform, educate, and foster growth and development of the individual members and the entire industry within an ethical and professional environment.

The Corporation may print or publish magazines, newspapers or periodicals on matters of interest to its members.

### 2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### Accounting estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from those estimates.

#### Revenue recognition

The Corporation follows the accrual method of accounting for revenue. Revenue is recognized in the period that products or services are delivered. Cash receipts that pertain to products or services to be delivered in the subsequent year are recorded as deferred revenue.

The Corporation has a rewards program that allows members to earn points based on their participation in the events organized by the Corporation. Members can redeem points, in accordance with the Program rewards schedule, for qualifying merchandise or services.

When points are earned by Program members, the Corporation defers revenue equal to the fair value of the awards. The estimated fair value per point is determined based on the management's best estimate of points to be used and historical award choices. The trends in redemption rates (points redeemed as a percentage of points issued) are reviewed on an ongoing basis and the estimated fair value per point is adjusted based upon expected future activity. When awards are redeemed by members, the redemption value of the awards is charged against the deferred revenue balance and recognized as revenue. During the year, the Corporation recognized an amount of \$ 64,875. The type of revenue depends on the exchange made by the members.

Interest and other revenue are also accounted for using the accrual method.



# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 2. Significant accounting policies (continued)

#### Foreign currency translation

The Corporation uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the rate in effect at year-end. Other assets and liabilities are translated at their historic rates. Items appearing in the statement of income are translated at average year rates. Exchange gains and losses are included in the statement of income.

#### Financial instruments

The Corporation initially measures its financial assets and its financial liabilities at fair value, except in the case of transactions that are not conducted under normal market conditions. All financial instruments are subsequently measured at amortized cost, except for the following financial instruments:

- investments in non-quoted equity instruments, which are measured at cost less any reduction for impairment;
- investments in equity instruments quoted in an active market and derivative financial instruments not designated in a qualifying hedging relationship, which are measured at fair value;
- financial instruments that the Corporation designated on initial recognition as measured at fair value.

The fair value of investments in equity instruments quoted in an active market is established on the basis of bid prices. The fair value of investments that the Corporation designated to be measured at fair value is established on the basis of reports obtained from the broker who is acting for the Corporation. The fair value of financial derivative instruments is established on the basis of a confirmation of fair value obtained from the financial institution with which the contract was traded. Changes in fair value are recognized in profit or loss.

Transaction costs related to financial instruments that are measured at fair value are accounted as expenses when they are incurred. The transaction costs related to all other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method of depreciation. Any discount or premium associated with an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method of depreciation and recognized in net income as interest income or expense.

For financial assets measured at cost or amortized cost, the Corporation recognizes a write-down through the income statement, if any, when it observes a significant adverse change in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in net income in the period the reversal occurs.

#### Cash and cash equivalents

The Corporation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts, resulting of the excess of outstanding cheque on bank balances that fluctuate frequently from being positive to overdrawn, and investments with a maturity period of three months or less from the date of acquisition and that are not pledged as security.

# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 2. Significant accounting policies (continued)

#### Capital assets

Capital assets are accounted for at cost and amortized on the basis of their useful lives using the declining balance method at the following rates:

	<u>Rates</u>
Computer equipment	30%
Office furniture	20%

### 3. Accounts receivable

	<u>2015</u>	<u>2014</u>
Members	\$ 594,967	\$ 556,902
Allowance for doubtful accounts	(6,554)	(3,004)
	<u>\$ 588,413</u>	<u>\$ 553,898</u>

### 4. Investments

At fair value

	<u>2015</u>	<u>2014</u>
Guaranteed investment certificate, rate of 0.75% (1.10% in 2014), maturing in May 2017 (May 2015, in 2014)	\$ 146,653	\$ 145,723
Bonds, rate of 4.24% to 11.60% (1.66% to 1.93% in 2014), face value of \$518,803 (\$683,260 in 2014), maturing between April and September 2016 (April and September 2015 in 2014)	513,646	681,166
	<u>660,299</u>	<u>826,889</u>
Current portion of investments	513,646	826,889
	<u>\$ 146,653</u>	<u>\$ -</u>

PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

5. Capital assets

			2015		2014	
	Cost	Accumulated amortization	Net value		Net value	
Computer equipment	\$ 246,678	\$ 236,361	\$ 10,317	\$	17,058	
Office furniture	135,676	126,073	9,603		12,004	
	\$ 382,354	\$ 362,434	\$ 19,920	\$	29,062	

6. Accounts payable and accrued liabilities

			2015		2014	
Accounts payable			\$ 35,695	\$	14,723	
Accrued liabilities			67,371		30,384	
Government remittances			49,318		61,819	
			\$ 152,384	\$	106,926	

7. Deferred revenue

			2015		2014	
Membership			\$ 572,874	\$	617,296	
Shows			526,644		651,956	
Rewards program			63,786		86,660	
Other			1,060		4,921	
			\$ 1,164,364	\$	1,360,833	

# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 8. Internally restricted net assets

	2015	2014
Amounts designated for specific purposes by the Board of Directors are as follows:		
Legal fund	\$ 16,369	\$ 16,369
Property fund	200,000	200,000
Information technology fund	24,107	24,107
Bursary/scholarship fund	23,000	23,000
Education fund	50,000	50,000
Survey fund	10,000	10,000
Value benefit fund	53,462	53,462
Marketing fund	150,000	150,000
	<b>\$ 526,938</b>	<b>\$ 526,938</b>

### 9. Commitments

The Corporation rents its premises, a photocopier and a stamp machine under lease agreements, expiring from May 2019 to November 2022. Future minimum lease payments amount to \$653,172 and include the following payments over the next five years: \$98,127 in 2016, \$101,768 in 2017, \$102,099 in 2018, \$91,737 in 2019 and \$86,051 in 2020.

Furthermore, the Corporation has an agreement for information technology services until January 2019. Future minimum agreement payments amount to \$684,000 and include the following payments over the next four years: \$216,000 in 2016, \$216,000 in 2017, \$216,000 in 2018 and \$36,000 in 2019.

In addition, the Corporation enters into agreements for securing locations of future events. Commitments related to these agreements totaling \$274,385 for 2016, \$105,491 for 2017 and \$108,650 for 2018.

### 10. Financial instruments

#### Categories

Financial assets and liabilities measured at amortized cost are comprised of cash, cash - Chapters, accounts receivable and accounts payable and accrued liabilities.

The investments are measured at fair value.

# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 10. Financial instruments (continued)

#### Risks and concentrations

The Corporation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Corporation's risk exposure at the balance sheet date.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risks relate to its accounts receivable. The Corporation provides credit to its clients in the normal course of its operations.

#### Market risk

Market risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. Some of the Corporation's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation receives payments in US currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at October 31, the asset in US dollars converted in Canadian dollars is the following:

	2015	2014
Cash	\$ 26,180	\$ 64,644

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-interest instruments subject the Corporation to a fair value risk.

# PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.

## NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015

(unaudited)

### 10. Financial instruments (continued)

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its investments for which the value fluctuates with the quoted market price.

### 11. Cash flows

#### Net change in non-cash working capital items

	2015	2014
Accounts receivable	\$ (34,515)	\$ 66,015
Prepaid expenses	10,661	45,354
Accounts payable and accrued liabilities	45,458	(138,858)
Deferred revenue	(196,469)	(27,197)
	<u>\$ (174,865)</u>	<u>\$ (54,686)</u>

### 12. Comparative figures

Certain comparative figures have been reclassified based on the presentation adopted during the year.

**PROMOTIONAL PRODUCT PROFESSIONALS OF CANADA INC.**

**ADDITIONAL INFORMATION**

**FOR THE YEAR ENDED OCTOBER 31, 2015  
(unaudited)**

	<b>2015</b>	<b>2014</b>
<b>APPENDIX A - OPERATING EXPENSES</b>		
Salaries and fringe benefits	\$ 680,754	\$ 556,165
Governance	51,567	60,664
Public relations	28,397	59,353
Chapters (local events and activities)	29,809	39,679
	<b>\$ 790,527</b>	<b>\$ 715,861</b>

**APPENDIX B - ADMINISTRATIVE EXPENSES**

Salaries and fringe benefits	\$ 209,710	\$ 208,637
Rent, taxes and insurance	97,580	87,607
Office expenses and computer programming	53,114	45,974
Bank and credit card charges	48,654	58,241
Accounting and legal fees	34,665	45,931
Rental equipment	22,808	24,006
Communications	20,557	24,374
Amortization of capital assets	10,579	23,527
Bad debts	6,516	3,003
Dues and subscriptions	3,113	3,032
Postage	1,985	4,566
Foreign exchange gain	(19,305)	(15,503)
	<b>\$ 489,976</b>	<b>\$ 513,395</b>