



Grant Thornton

Combined financial statements

Resource Recovery Fund Board Inc. and Resource  
Recovery Fund

March 31, 2009

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## Auditors' report

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To the Board of Directors of the

Resource Recovery Fund Board Inc. and Resource Recovery Fund

We have audited the combined statement of financial position of the Resource Recovery Fund Board Inc. and Resource Recovery Fund as at March 31, 2009 and the combined statement of operations, changes in net resources and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 combined financial statements present fairly, in all material respects, the combined financial position of the Resource Recovery Fund Board Inc. and Resource Recovery Fund as at March 31, 2009 and the combined results of its operations, changes in net resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia  
May 18, 2009

*Grant Thornton LLP*

Chartered Accountants

**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Combined statement of operations**

Year ended March 31, 2009

	Budget <u>2009</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>			
Deposits	\$ 36,678,900	\$ 36,996,835	\$ 35,709,131
Sales of recyclable materials	5,082,100	5,036,817	4,759,928
Tire program	3,678,000	3,436,240	3,309,157
Stewardship	1,008,700	933,837	1,048,585
Rental income	201,600	186,900	201,600
Investment and other income	<u>1,135,000</u>	<u>914,439</u>	<u>1,147,388</u>
<b>Total revenues</b>	<u>47,784,300</u>	<u>47,505,068</u>	<u>46,175,789</u>
<b>Expenses</b>			
Operating (Page 10)	33,237,800	35,279,498	31,850,026
Administrative (Page 11)	1,837,700	1,807,948	1,668,690
Other expenditures and allocations			
Approved program grants	2,115,200	497,948	805,737
Education and awareness	2,065,000	1,550,841	1,501,831
Regional committees	306,000	303,929	303,325
Derelict vehicle program	-	21,346	-
Household hazardous waste program	112,000	112,000	112,000
Municipal Solid Waste Diversion	6,310,300	5,235,000	6,455,000
Nova Scotia Environment	1,262,100	1,047,000	1,121,575
Research, development and special projects	250,000	156,253	-
Future program development	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>47,696,100</u>	<u>46,011,763</u>	<u>43,818,184</u>
Excess of revenues over expenditures	<u>\$ 88,200</u>	<u>\$ 1,493,305</u>	<u>\$ 2,357,605</u>

See accompanying notes to the combined financial statements

**Resource Recovery Fund Board Inc.  
Resource Recovery Fund**

**Combined statement of changes in net resources**

Year ended March 31

2009 2008

	Resource Recovery Fund				
	Invested in Capital Assets	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total
Balance, beginning of year	\$ 1,713,987	\$ 2,371,594	\$ 11,910,258	\$ -	\$ 15,995,839
As previously reported	-	-	(8,441,400)	-	(8,441,400)
Adjustment of prior years (Note 7)	1,713,987	2,371,594	3,468,858	-	7,554,439
Excess (deficiency) of revenue over expenses	(268,105)	-	-	1,761,410	1,493,305
Investment in capital assets	215,172	-	-	(215,172)	-
	1,661,054	2,371,594	3,468,858	1,546,238	9,047,744
Internal transfers from (to):					
Municipal solid waste diversion	-	-	5,235,555	(5,235,555)	-
Payment of approved programs	-	-	(675,547)	675,547	-
Education and awareness program	-	-	(1,550,841)	1,550,841	-
Regional committees	-	-	(303,929)	303,929	-
Nova Scotia Environment	-	-	(1,047,000)	1,047,000	-
Household hazardous waste program	-	-	(112,000)	112,000	-
Balance, end of year	\$ 1,661,054	\$ 2,371,594	\$ 5,015,096	\$ -	\$ 9,047,744
					\$ 7,554,439

Restricted for approved programs represented by:

Committed Funds (Note 8 (b))	\$ 1,226,147
Uncommitted Funds	3,788,949
	<u>\$ 5,015,096</u>

See accompanying notes to the combined financial statements

**Resource Recovery Fund Board Inc.  
Resource Recovery Fund  
Combined statement of financial position**

March 31 2009 2008

<b>Financial assets</b>		
Cash and cash equivalents	\$ 6,364,659	\$ 14,029,491
Receivables	3,592,064	3,888,953
Accrued receivables	1,052,487	838,378
Notes receivable (Note 3)	463,519	1,113,913
Investments, at cost which approximates fair market value	<u>16,490,792</u>	<u>7,153,250</u>
	<u>27,963,521</u>	<u>27,023,985</u>
<b>Financial liabilities</b>		
Payables and accruals	2,299,573	2,100,175
Municipal solid waste diversion credits payable	5,184,035	6,455,000
Unearned revenue	<u>13,319,750</u>	<u>12,922,800</u>
	<u>20,803,358</u>	<u>21,477,975</u>
<b>Net financial resources</b>	<u>7,160,163</u>	<u>5,546,010</u>
<b>Non-financial assets</b>		
Inventory	142,436	192,410
Prepays	84,091	102,031
Property and equipment (Note 4)	<u>1,661,054</u>	<u>1,713,987</u>
	<u>1,887,581</u>	<u>2,008,428</u>
<b>Net resources (Note 8 and Page 3)</b>	<u>\$ 9,047,744</u>	<u>\$ 7,554,439</u>

Commitment (Note 5)

On Behalf of the Board

 Director

 Director

See accompanying notes to the combined financial statements

**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Combined statement of cash flows**

Year ended March 31

2009

2008

Increase (decrease) in cash and cash equivalents:

<b>Operating</b>		
Excess of revenues over expenditures	\$ 1,493,305	\$ 2,357,605
Depreciation and amortization	283,147	320,759
Gain on sale of property and equipment	<u>(15,042)</u>	<u>(10,272)</u>
	1,761,410	2,668,092
Change in non-cash operating working capital		
Receivables	82,780	(715,583)
Inventory	49,974	(140)
Prepays	17,941	(4,357)
Payables and accruals	(1,071,567)	469,552
Unearned revenue	<u>396,950</u>	<u>295,100</u>
	<u>1,237,488</u>	<u>2,712,664</u>
<b>Investing</b>		
Proceeds from sale of:		
Property and equipment	25,300	11,000
Investments	2,200,000	2,200,000
Purchase of:		
Property and equipment	(240,472)	(260,851)
Investments	(11,537,542)	(1,301,867)
Issue of note receivable	(20,000)	(1,018,833)
Repayment of notes receivable, net	<u>670,394</u>	<u>25,532</u>
	<u>(8,902,320)</u>	<u>(345,019)</u>
Net (decrease) increase in cash and cash equivalents	(7,664,832)	2,367,645
Cash and cash equivalents, beginning of year	<u>14,029,491</u>	<u>11,661,846</u>
Cash and cash equivalents, end of year	\$ <u>6,364,659</u>	\$ <u>14,029,491</u>

See accompanying notes to the combined financial statements

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# Resource Recovery Fund Board Inc.

## Resource Recovery Fund

### Notes to the combined financial statements

March 31, 2009

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#### 1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit Organization established by the Nova Scotia government to develop and administer industry stewardship programs that increase waste diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

Under regulation, all revenues earned are deposited to the Resource Recovery Fund, which is the property of the Province of Nova Scotia. All expenditures incurred by the Resource Recovery Fund Board Inc. to operate, administer and fulfil the mandates of the Province of Nova Scotia Solid Waste Management Strategy are expenditures of the Resource Recovery Fund. Accordingly all assets, liabilities and net resources reported in these financial statements are the property of the Resource Recovery Fund and are held on behalf of the Province of Nova Scotia by the Resource Recovery Fund Board Inc.

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#### 2. Summary of significant accounting policies

##### Basis of presentation

The combined financial statements include the accounts of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund. Significant inter-entity loans and transactions have been eliminated in these combined financial statements. These combined financial statements are the representations of management prepared in accordance with generally accepted accounting principles for provincial governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

##### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires the Organization's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Certain of these estimates require subjective or complex judgements by management that may be uncertain. Some of these items include allowance for doubtful accounts, depreciation and unearned revenue. Actual results could differ from those reported.

##### Revenue recognition

Resource Recovery Fund follows the deferral method of accounting for revenue. Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Notes to the combined financial statements**

March 31, 2009

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**2. Summary of significant accounting policies (continued)**

**Depreciation**

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Building	5%, straight line
Field equipment	20%, straight line
Leasehold improvements	14.2%, straight line
Office and warehouse equipment	20%, straight line
Computer hardware and software	20%, 33 1/3%, straight-line
Containers	
- Bags	33 1/3%, straight-line
- Tubs	10%, straight-line
Vehicles	33 1/3%, straight-line

**Inventory**

Inventory is valued at the lower of cost and net realizable value.

**Unearned revenue**

Unearned revenue represents deposits received for beverage containers that have not been returned for redemption, and fees received for paint and tires which will be returned for disposal at a future date. Unearned revenue beverage is calculated on deposits received in the last sixty (60) days adjusted by the current year return rate, unearned revenue paint is calculated on fees received in the last one hundred and eighty (180) days adjusted by the current year return rate, and unearned revenue tire is calculated on fees received in the last three (3) years adjusted by the past six (6) years average return rate.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

**Financial instruments**

Financial instruments include cash and cash equivalents, receivables, accrued receivables, notes receivable, investments, payables and accruals, municipal solid waste diversion credits payable and unearned revenue. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, or currency risks arising from financial instruments. Unless otherwise noted, the fair market value of these financial instruments are at least equal to their carrying values.

**Income taxes**

The Organization is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Notes to the combined financial statements**

March 31, 2009

<b>3. Notes receivable</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
Non-interest bearing notes receivable due in equal monthly instalments of \$1,535, maturing in 2010 and 2012.	\$ 59,025	\$ 74,376
Non-interest bearing notes receivable due in equal monthly instalments of \$1,860, beginning April 2011, maturing in 2016.	96,720	96,720
Non-interest bearing notes with variable payments, maturing in 2011 and 2028.	85,861	69,700
Note receivable bearing interest at RBC prime rate, due in equal monthly instalments of \$8,881, maturing in 2011.	221,913	312,868
Note receivable repaid during the year.	-	560,249
	<u>\$ 463,519</u>	<u>\$ 1,113,913</u>

<b>4. Property and equipment</b>			<u><b>2009</b></u>	<u><b>2008</b></u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 282,000	\$ -	\$ 282,000	\$ 282,000
Field equipment	380,716	297,244	83,472	138,720
Building	1,034,930	240,709	794,221	845,969
Office and warehouse equipment	128,871	114,701	14,170	13,009
Containers	1,529,617	1,204,245	325,372	343,219
Leasehold improvements	18,348	15,849	2,499	303
Computer hardware and software	718,058	572,463	145,595	77,487
Vehicles	47,571	33,846	13,725	13,280
	<u>\$ 4,140,111</u>	<u>\$ 2,479,057</u>	<u>\$ 1,661,054</u>	<u>\$ 1,713,987</u>

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**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Notes to the combined financial statements**

March 31, 2009

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**5. Commitment**

The Resource Recovery Fund has entered into agreements with specific Organizations and businesses to provide funding for various recycling programs across Nova Scotia. At March 31, 2009, \$1,226,147 (2008 - \$1,610,170) of the restricted for approved programs resources has been committed under these agreements.

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**6. Related party transaction**

The Fund reimburses the Nova Scotia Environment for services and expenses incurred on the Fund's behalf. During the year, costs of \$1,047,000 (2008 - \$1,121,575) were incurred, of which \$1,047,000 (2008 - \$721,575) is included in payables and accruals.

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**7. Restatement of prior years**

During a review of accounting policies, it was noted that while provision was being made to record unearned revenue for beverage containers and paint, none had been made for tire revenues received but as yet unearned.

As a result of this correction, 2008 opening unearned revenue increased and opening net resources decreased by \$8,249,500. Tire program revenues and excess of revenues over expenditures were reduced by \$191,900 for the year ended March 31, 2008.

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**8. Restrictions on net resources**

Net resources under the Resource Recovery Fund have been internally restricted for the following purposes:

- (a) Restricted for future projects – represents the amount internally restricted for funding various future projects as approved by the Board and in accordance with the goals and objectives of the Resource Recovery Fund.
- (b) Restricted for approved programs – represents the amount internally restricted for various recycling programs and initiatives in accordance with the goals and objectives of the Resource Recovery Fund. Of the amount internally restricted, \$1,226,147 (2008 - \$1,610,170) has been committed by the Board to assist in the funding of various recycling programs across Nova Scotia.

**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Combined statement of operating costs**

Year ended March 31	Budget 2009	2009	2008
Inventory, beginning of year	\$ 192,300	\$ 192,410	\$ 192,270
Deposit refunds	15,148,000	15,245,049	14,669,083
Enviro-Depot handling fees	11,052,900	11,106,529	10,231,623
Local cartage	1,038,900	2,843,526	1,090,507
Regional processing	1,149,200	1,168,445	1,076,366
Freight-in	572,000	279,568	280,645
Central processing expenses			
Building expenses	45,600	46,045	44,289
Depreciation	234,000	183,886	198,865
Insurance	2,000	656	1,737
Meetings and travel	35,000	13,878	21,408
Postage, delivery and office	6,000	17,619	18,545
Propane – forklift	3,500	4,260	3,506
Repairs and maintenance – bulk bags	10,000	25,694	27,611
Repairs and maintenance – equipment	3,000	2,201	1,421
Salaries and benefits	387,800	398,049	375,891
Shipping supplies	65,000	79,959	23,434
Telecommunications	10,000	11,238	5,645
Vehicle expense	3,500	1,112	5,216
Non-deposit materials	39,200	25,411	30,592
Used tire management program	2,473,800	2,673,953	2,686,189
Paint program	<u>958,400</u>	<u>1,102,446</u>	<u>1,057,593</u>
	33,430,100	35,421,934	32,042,436
Inventory, end of year	<u>192,300</u>	<u>142,436</u>	<u>192,410</u>
	\$ <u>33,237,800</u>	\$ <u>35,279,498</u>	\$ <u>31,850,026</u>

**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Combined statement of administrative expenses**

Year ended March 31	Budget 2009	2009	2008
Bad debt	\$ -	\$ 45,492	\$ 135
Bank charges and interest	8,000	7,675	8,079
Board fees and expenses	85,000	58,967	65,800
Building expenses	120,000	144,205	98,775
Depreciation and amortization	151,000	99,261	121,894
Dues and fees	5,000	10,534	11,123
Equipment lease or rent	2,000	1,821	5,053
Insurance	10,000	12,440	7,018
Meetings and travel	90,000	73,964	64,028
Office expense	23,500	19,208	18,454
Postage and delivery	6,000	8,563	8,726
Printing and stationery	6,000	3,326	4,050
Professional fees	165,000	153,649	180,443
Public relations	140,000	140,813	131,713
Salaries and benefits	920,700	932,596	851,606
Software development and support	55,000	51,007	40,137
Telecommunications	45,000	41,702	41,522
Training	5,000	2,451	6,935
Vehicle expense	500	274	3,199
	<u>\$ 1,837,700</u>	<u>\$ 1,807,948</u>	<u>\$ 1,668,690</u>



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