

Grant Thornton

Combined financial statements

Resource Recovery Fund Board Inc. and Resource  
Recovery Fund

March 31, 2011

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# Independent 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 accompanying combined financial statements of the Resource Recovery Fund Board Inc. and Resource Recovery Fund, which comprise the combined statement of financial position as at March 31, 2011, the combined statements of operations, changes in net resources, changes in net financial resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Public Sector Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organizations' preparation and fair presentation of the combined 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 Organizations' 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 combined 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 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, 2011, and the combined results of operations, changes in net resources, changes in net financial resources and cash flows for the year then ended in accordance with Public Sector Accounting Principles.

Truro, Nova Scotia  
May 25, 2011

*Grant Thornton LLP*

Chartered Accountants

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

Year ended March 31, 2011

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	Budget 2011 <u>Unaudited</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>			
Deposits	\$ 37,557,300	\$ 38,688,050	\$ 37,073,501
Sales of recyclable materials	4,278,900	4,812,519	3,521,622
Tire program	3,475,400	3,194,348	3,369,594
Stewardship	961,600	986,607	885,640
Rental income	182,000	182,000	182,000
Investment and other income	<u>890,300</u>	<u>937,661</u>	<u>802,781</u>
<b>Total revenues</b>	<u>47,345,500</u>	<u>48,801,185</u>	<u>45,835,138</u>
<b>Expenses</b>			
Operating (Page 12)	36,006,100	36,910,146	35,515,766
Administrative (Page 13)	2,073,100	1,975,368	1,977,502
Other expenditures and allocations			
Approved program grants	2,000,000	1,407,591	644,156
Education and awareness	2,003,500	1,773,095	1,575,807
Regional committees	335,000	314,709	308,520
Household hazardous waste program	112,000	112,000	112,000
Municipal solid waste diversion credits	4,379,600	4,908,238	4,183,000
Municipal diversion incentive funding	993,500	273,822	221,000
Municipal enforcement program funding	700,000	515,671	105,000
Nova Scotia Environment	1,313,900	1,472,471	1,255,000
Research, development and special projects	500,000	68,550	194,542
Waste audit development	200,000	20,000	-
Special municipal allocation	<u>-</u>	<u>-</u>	<u>700,000</u>
	<u>50,616,700</u>	<u>49,751,661</u>	<u>46,792,293</u>
Deficiency of revenues over expenditures	\$ <u>(3,271,200)</u>	\$ <u>(950,476)</u>	\$ <u>(957,155)</u>

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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

2011 2010

	Resource Recovery Fund			Net	Total	Total
	Invested in Capital Assets	Restricted for Future Projects	Restricted for Approved Programs	Revenues		
Balance, beginning of year	\$ 1,637,104	\$ 2,371,594	\$ 4,081,891	\$ -	\$ 8,090,589	\$ 9,047,744
Deficiency of revenue over expenses	(230,487)	-	-	(719,989)	(950,476)	(957,155)
Investment in tangible capital assets	329,682	-	-	(329,682)	-	-
	<u>1,736,299</u>	<u>2,371,594</u>	<u>4,081,891</u>	<u>(1,049,671)</u>	<u>7,140,113</u>	<u>8,090,589</u>
Internal transfers from (to)	-	-	4,908,238	(4,908,238)	-	-
Payment of approved programs	-	-	(1,407,591)	1,407,591	-	-
Education and awareness program	-	-	(1,773,095)	1,773,095	-	-
Regional committees	-	-	(314,709)	314,709	-	-
Nova Scotia Environment	-	-	(1,472,471)	1,472,471	-	-
Research, development and special projects	-	-	(68,550)	68,550	-	-
Household hazardous waste program	-	-	(112,000)	112,000	-	-
Municipal diversion incentive funding	-	-	(273,822)	273,822	-	-
Municipal enforcement program funding	-	-	(515,671)	515,671	-	-
Waste audit development	-	-	(20,000)	20,000	-	-
Balance, end of year	\$ <u>1,736,299</u>	\$ <u>2,371,594</u>	\$ <u>3,032,220</u>	\$ -	\$ <u>7,140,113</u>	\$ <u>8,090,589</u>

Restricted for approved programs represented by:

Committed funds (Notes 5 and 7 (b))

Uncommitted funds

\$	629,443
	<u>2,402,777</u>
\$	<u>3,032,220</u>

See accompanying notes to the combined financial statements

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

March 31

2011

2010

**Financial assets**

Cash and cash equivalents	\$ 5,905,990	\$ 5,908,108
Receivables	3,446,144	3,839,849
Accrued receivables	1,483,232	1,447,288
Notes receivable (Note 3)	125,178	254,157
Investments, at cost which approximates fair market value	<u>17,103,405</u>	<u>16,809,087</u>
	<u>28,063,949</u>	<u>28,258,489</u>

**Financial liabilities**

Payables and accruals	3,639,764	3,840,761
Municipal solid waste diversion credits payable	4,908,238	4,183,000
Unearned revenue	<u>14,485,537</u>	<u>14,001,692</u>
	<u>23,033,539</u>	<u>22,025,453</u>

**Net financial resources**

5,030,410                      6,233,036

**Non-financial assets**

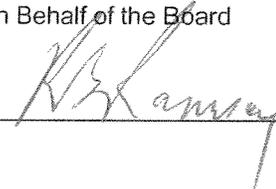
Inventory	241,624	111,403
Prepays	131,780	109,046
Tangible capital assets (Note 4)	<u>1,736,299</u>	<u>1,637,104</u>
	<u>2,109,703</u>	<u>1,857,553</u>

**Net resources (Page 4 and Note 7)**

\$ 7,140,113                      \$ 8,090,589

Commitment (Note 5)

On Behalf of the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

See accompanying notes to the combined financial statements

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**Resource Recovery Fund Board Inc.**  
**Resource Recovery Fund**  
**Combined statement of changes in**  
**net financial resources**

March 31	2011	2010
Deficiency of revenue over expenditures	\$ <u>(950,476)</u>	\$ <u>(957,155)</u>
Acquisition of tangible capital assets	(329,682)	(215,771)
Amortization of tangible capital assets	<u>230,487</u>	<u>239,721</u>
	<u>(99,195)</u>	<u>23,950</u>
Use of inventory, net	(130,221)	31,033
(Use) acquisition of prepaids	<u>(22,734)</u>	<u>(24,955)</u>
	<u>(152,955)</u>	<u>6,078</u>
<b>Decrease in net financial resources</b>	<b>\$ <u>(1,202,626)</u></b>	<b>\$ <u>(927,127)</u></b>
<hr/>		
Net financial resources, beginning of year	\$ 6,233,036	\$ 7,160,163
Decrease in net assets	<u>(1,202,626)</u>	<u>(927,127)</u>
Net financial resources, end of year	<u>\$ 5,030,410</u>	<u>\$ 6,233,036</u>

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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

2011

2010

Increase (decrease) in cash and cash equivalents:

<b>Operating</b>		
Deficiency of revenues over expenditures	\$ (950,476)	\$ (957,155)
Depreciation and amortization	<u>230,487</u>	<u>239,721</u>
	<b>(719,989)</b>	<b>(717,434)</b>
Change in non-cash operating working capital		
Receivables	357,761	(642,586)
Inventory	(130,221)	31,033
Prepays	(22,734)	(24,955)
Payables and accruals	524,241	540,153
Unearned revenue	<u>483,845</u>	<u>681,942</u>
	<b>492,903</b>	<b>(131,847)</b>
<b>Investing</b>		
Proceeds from sale of investments	5,100,000	11,381,705
Purchase of:		
Tangible capital assets	(329,682)	(215,771)
Investments	(5,394,318)	(11,700,000)
Issue of note receivable	-	(23,804)
Repayment of notes receivable	<u>128,979</u>	<u>233,166</u>
	<b>(495,021)</b>	<b>(324,704)</b>
Net decrease in cash and cash equivalents	<b>(2,118)</b>	<b>(456,551)</b>
Cash and cash equivalents, beginning of year	<u>5,908,108</u>	<u>6,364,659</u>
Cash and cash equivalents, end of year	<b>\$ <u>5,905,990</u></b>	<b>\$ <u>5,908,108</u></b>

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, 2011

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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 in the month it is receivable (or received) if the amount 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, 2011

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

**Depreciation**

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

Building	5%, straight line
Field equipment	20%, straight line
Processing equipment	33 1/3%, 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 beverage revenue is sixty (60) days worth of revenue calculated on the last twelve (12) months' average daily revenue adjusted by the current year's return rate. Unearned paint revenue is one hundred and eighty (180) days worth of revenue calculated on the last twelve (12) months' average daily revenue adjusted by the current year's return rate. Unearned tire revenue is calculated on the last three (3) years of tire revenue 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*.

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

March 31, 2011

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<b>3. Notes receivable</b>	<u>2011</u>	<u>2010</u>
Non-interest bearing notes receivable due in equal monthly instalments of \$1,535, maturing in 2012.	\$ 28,322	\$ 37,533
Non-interest bearing notes with variable payments, maturing between 2011 and 2028.	85,565	100,493
Note receivable bearing interest at RBC prime rate, due in equal monthly instalments of \$8,881, maturing in 2011.	<u>11,291</u>	<u>116,131</u>
	<u>\$ 125,178</u>	<u>\$ 254,157</u>

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<b>4. Tangible capital assets</b>			<u>2011</u>	<u>2010</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	431,732	386,446	45,286	61,693
Processing equipment	121,760	22,133	99,627	-
Building	1,034,930	344,202	690,728	742,475
Office and warehouse equipment	172,356	143,819	28,537	40,871
Containers	1,551,981	1,357,846	194,135	235,015
Leasehold improvements	22,848	17,273	5,575	6,609
Computer hardware and software	1,020,387	631,937	388,450	260,597
Vehicles	<u>47,570</u>	<u>45,609</u>	<u>1,961</u>	<u>7,844</u>
	<u>\$ 4,685,564</u>	<u>\$ 2,949,265</u>	<u>\$ 1,736,299</u>	<u>\$ 1,637,104</u>

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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, 2011, \$629,443 (2010 - \$1,506,086) of the restricted for approved programs resources has been committed under these agreements.

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

March 31, 2011

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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 \$1,472,471 (2010 - \$1,255,000) were incurred, of which \$1,472,471 (2010 - \$1,255,000) is included in payables and accruals.

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**7. 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 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, \$629,443 (2010 - \$1,506,086) 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 2011 (Unaudited)	2011	2010
Inventory, beginning of year	\$ 142,436	\$ 111,403	\$ 142,436
Deposit refunds	15,632,000	16,080,677	15,638,955
Enviro-Depot handling fees	12,018,800	12,304,612	11,672,685
Local cartage	1,577,000	1,592,198	2,010,485
Regional processing	1,169,400	1,383,061	1,223,704
Freight-in	367,000	238,786	299,183
Central processing expenses			
Building expenses	46,000	48,376	44,732
Depreciation	200,800	114,010	150,421
Insurance	600	769	775
Meetings and travel	23,500	23,492	15,035
Postage, delivery and office	13,100	7,346	19,158
Professional fees	22,500	469	17,396
Propane – forklift	3,800	3,747	4,126
Repairs and maintenance:			
Bulk bags and containers	18,500	13,297	24,876
Equipment	1,500	304	6,504
Salaries and benefits	426,700	434,032	398,402
Shipping supplies	65,000	63,544	64,351
Telecommunications	10,000	5,706	7,225
Vehicle expense	1,500	2,176	2,522
Non-deposit materials	24,000	25,888	25,343
Used tire management program	3,144,400	3,486,364	2,612,982
Paint program	1,240,000	1,211,514	1,245,873
	36,148,536	37,151,771	35,627,169
Inventory, end of year	142,436	241,625	111,403
	\$ 36,006,100	\$ 36,910,146	\$ 35,515,766

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

Year ended March 31	Budget 2011 (Unaudited)	2011	2010
Bad debt	\$ -	\$ 255	\$ 110,258
Bank charges and interest	8,000	6,939	7,511
Board fees and expenses	85,000	57,580	50,984
Building expenses	120,000	135,672	137,385
Depreciation and amortization	160,100	94,343	89,300
Dues and fees	11,000	12,005	10,232
Insurance	10,000	7,473	10,406
Meetings and travel	80,000	50,418	42,871
Office expense	20,000	27,300	22,957
Postage and delivery	10,000	12,074	12,058
Printing and stationery	2,000	4,349	3,350
Professional fees	160,000	211,179	164,566
Public relations	150,000	77,104	151,943
Salaries and benefits	1,182,000	1,224,469	1,037,564
Software development and support	25,000	13,997	77,232
Telecommunications	45,000	30,655	39,356
Training	5,000	9,556	9,529
	<u>\$ 2,073,100</u>	<u>\$ 1,975,368</u>	<u>\$ 1,977,502</u>



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