



Grant Thornton

Combined financial statements

Resource Recovery Fund Board Inc. and  
Resource Recovery Fund

March 31, 2014

# Contents

	<b>Page</b>
Independent auditor's report	1
Combined statement of operations	3
Combined statement of changes in net resources	4
Combined statement of financial position	5
Combined statement of changes in net financial resources	6
Combined statement of cash flows	7
Notes to the combined financial statements	8
Combined statement of operating costs	14
Combined statement of administrative expenses	15



Grant Thornton

## Independent auditor's 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, 2014, 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, 2014, 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, Canada  
May 29, 2014

*Grant Thornton LLP*

Chartered Accountants

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

Year ended March 31, 2014

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>			
Deposits	\$ 40,149,000	\$ 39,846,441	\$ 39,146,653
Sales of recyclable materials (Note 10)	5,120,000	4,629,288	4,865,838
Tire program	3,301,500	3,770,901	3,855,503
Stewardship	75,000	587	363,412
Rental income	182,000	182,000	182,000
Investment and other income	958,600	827,239	1,022,801
<b>Total revenues</b>	<u>49,786,100</u>	<u>49,256,456</u>	<u>49,436,207</u>
<b>Expenses</b>			
Operating (Page 14)	39,013,300	38,083,626	37,558,904
Administrative (Page 15)	2,218,100	1,816,796	1,966,827
Other expenditures and allocations			
Approved program grants	1,500,000	1,077,388	1,182,235
Education and awareness	1,813,000	1,487,849	1,558,762
Regional committees	335,000	326,400	325,799
Household hazardous waste program	112,000	112,000	112,000
Municipal enforcement program funding	700,000	684,590	673,317
Research, development and special projects	400,000	157,178	285,474
Waste audit development	100,000	-	74,137
	<u>46,191,400</u>	<u>43,745,827</u>	<u>43,737,455</u>
Excess of revenues over expenses before allocations	<u>3,594,700</u>	<u>5,510,629</u>	<u>5,698,752</u>
Municipal solid waste diversion credits	2,516,290	3,857,440	4,357,758
Nova Scotia Environment	718,940	1,102,126	1,307,327
Excess of revenues over expenditures	<u>\$ 359,470</u>	<u>\$ 551,063</u>	<u>\$ 33,667</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

2014 2013

	Resource Recovery Fund			Total	Total
	Invested in Capital Assets	Restricted for Future Projects	Unrestricted		
Balance, beginning of year	\$ 3,286,991	\$ 2,371,594	\$ 304,764	\$ 5,963,349	\$ 5,929,682
Excess of revenue over expenses	(321,638)	-	872,701	551,063	33,667
Transfers	2,303,175	(2,089,528)	(213,647)	-	-
Balance, end of year	\$ 5,268,528	\$ 282,066	\$ 963,818	\$ 6,514,412	\$ 5,963,349

Unrestricted net resources represented by:

Committed funds (Note 7)	\$ 290,396
Uncommitted funds	673,422
	<u>\$ 963,818</u>

See accompanying notes to the combined financial statements



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

March 31

2014

2013

**Financial assets**

Cash and cash equivalents	\$ 7,331,774	\$ 1,600,589
Receivables	4,090,199	4,527,805
Accrued receivables	907,860	1,121,149
Notes receivable (Note 3)	212,054	148,917
Investments (Note 4)	11,757,951	18,008,107
Inventory	193,069	175,883
	<u>24,492,907</u>	<u>25,582,450</u>

**Financial liabilities**

Bank indebtedness (Note 6)	8	500,626
Payables and accruals	5,129,870	3,987,371
Municipal solid waste diversion credits payable	3,857,440	4,357,759
Unearned revenue	14,359,300	14,167,348
	<u>23,346,618</u>	<u>23,013,104</u>

**Net financial resources**

1,146,289      2,569,346

**Non-financial assets**


Prepays	99,595	107,012
Tangible capital assets (Note 5)	5,268,528	3,286,991
	<u>5,368,123</u>	<u>3,394,003</u>


**Net resources (Page 4 and Note 9)**

\$ 6,514,412      \$ 5,963,349

Commitment (Note 7)

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 changes in**  
**net financial resources**

March 31	2014	2013
Excess of revenue over expenditures	\$ <u>551,063</u>	\$ <u>33,667</u>
Acquisition of tangible capital assets, net	(2,303,175)	(1,499,520)
Amortization of tangible capital assets	<u>321,638</u>	<u>304,561</u>
	<u>(1,981,537)</u>	<u>(1,194,959)</u>
Acquisition (Use) of prepaids	<u>7,417</u>	<u>(15,569)</u>
<b>Decrease in net financial resources</b>	<b>\$ <u>(1,423,057)</u></b>	<b>\$ <u>(1,176,861)</u></b>
Net financial resources, beginning of year	\$ 2,569,346	\$ 3,746,207
Decrease in financial resources	<u>(1,423,057)</u>	<u>(1,176,861)</u>
Net financial resources, end of year	<b>\$ <u>1,146,289</u></b>	<b>\$ <u>2,569,346</u></b>

See accompanying notes to the combined financial statements



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

Year ended March 31

2014

2013

Increase (decrease) in cash and cash equivalents:

<b>Operating</b>		
Excess of revenues over expenditures	\$ 551,063	\$ 33,667
Amortization	321,638	304,561
Gain on sale of tangible capital assets	-	(17,508)
	<u>872,701</u>	<u>320,720</u>
Change in non-cash operating working capital		
Receivables	650,895	(312,091)
Inventory	(17,186)	(24,176)
Prepays	7,417	(15,569)
Payables and accruals	642,180	(511,944)
Unearned revenue	191,952	(394,722)
	<u>2,347,959</u>	<u>(937,782)</u>
<b>Financing</b>		
(Repayment) proceeds from bank borrowings	<u>(500,618)</u>	<u>500,626</u>
<b>Capital</b>		
Proceeds from sale of tangible capital assets	-	52,241
Purchase of tangible capital assets	<u>(2,303,175)</u>	<u>(1,534,255)</u>
	<u>(2,303,175)</u>	<u>(1,482,014)</u>
<b>Investing</b>		
Proceeds from sale of investments	7,250,156	5,201,867
Purchase of investments	(1,000,000)	(5,711,029)
Issue of notes receivable	(91,308)	(75,000)
Repayment of notes receivable	28,171	14,915
	<u>6,187,019</u>	<u>(569,247)</u>
Net increase (decrease) in cash and cash equivalents	5,731,185	(2,488,417)
Cash and cash equivalents, beginning of year	<u>1,600,589</u>	<u>4,089,006</u>
Cash and cash equivalents, end of year	\$ <u>7,331,774</u>	\$ <u>1,600,589</u>

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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, 2014

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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, amortization 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. Interest income is recognized as it is earned.

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# Resource Recovery Fund Board Inc.

## Resource Recovery Fund

### Notes to the combined financial statements

March 31, 2014

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

##### Tangible capital assets

Tangible capital assets are recorded at cost. Rates and bases of amortization 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	12.5%, 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
Trailers	14.3%, straight line

When conditions indicate that a tangible capital asset no longer contributes to the Resource Recovery Fund's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

##### Inventory

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

##### Forgivable loans

The Resource Recovery accounts for forgivable loans as conditional grants. The forgivable loans are non-interest bearing and are advanced with repayment not to be expected unless certain conditions are not met.

##### Unearned revenue and measurement uncertainty

Unearned revenue represents deposits received for beverage containers that have not been returned for redemption and fees received for 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 tire revenue is calculated on the last three (3) years of tire revenue adjusted by the past six (6) years' average return rate. The actual revenue the Fund may collect compared to the unearned revenue calculation is uncertain as the calculation is affected by the above management assumptions. However, in the past, the unearned revenue has remained consistent even with updated inputs for the calculation for each fiscal year. As a result, it is expected that the range of uncertainty for the unearned revenue is not significant.

##### 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.



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

March 31, 2014

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

**Foreign currency translation**

The Fund does not enter into foreign currency futures and forward contracts to reduce its exposure to foreign currency fluctuations. Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Revenue and expenditures denominated in foreign currencies are translated at the exchange rate prevailing at the time of the transaction. Translation gains or losses are recognized in the period in which they occur.

**Financial instruments**

The Resource Recovery Fund classifies its financial instruments at amortized cost.

This category includes cash and cash equivalents, receivables, notes receivable, investments, payables and accruals, bank indebtedness, unearned revenue, and municipal solid waste diversion credits payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assess each financial instrument to determine whether there is any impairment losses and impairment losses, if any are reported in the statement of operations.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

**Income taxes**

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

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<b>3. Notes receivable</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Non-interest bearing notes with variable payments, maturing between 2014 and 2028.	\$ <b><u>212,054</u></b>	\$ <b><u>148,917</u></b>

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

March 31, 2014

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**4. Investments**

Investments consist of loans receivable from the Province of Nova Scotia – Department of Finance. These loans are issued at interest rates ranging from 1.1% to 2.61% and mature as follows:

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
\$ <u>6,088,526</u>	\$ <u>1,546,922</u>	\$ <u>4,122,503</u>	\$ <u>11,757,951</u>

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**5. Tangible capital assets**

			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 294,100	\$ -	\$ 294,100	\$ 282,000
Field equipment	430,983	416,523	14,460	24,662
Processing equipment	515,789	129,589	386,200	275,596
Building	2,958,339	587,424	2,370,915	1,609,554
Office and warehouse equipment	191,210	175,850	15,360	23,407
Containers	1,422,347	1,311,860	110,487	181,779
Leasehold improvements	24,552	20,595	3,957	11,538
Computer hardware and software	1,262,159	709,307	552,852	515,988
Vehicles	51,939	37,142	14,797	32,110
Trailers	<u>1,597,900</u>	<u>92,500</u>	<u>1,505,400</u>	<u>330,357</u>
	<u>\$ 8,749,318</u>	<u>\$ 3,480,790</u>	<u>\$ 5,268,528</u>	<u>\$ 3,286,991</u>

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**6. Bank indebtedness**

The Resource Recovery Fund has an operating credit facility of \$2,000,000 of which \$8 is used at March 31, 2014. Interest is calculated at prime plus 0.5%.

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

March 31, 2014

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**7. 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, 2014, \$290,396 (2013 - \$247,129) of the restricted for approved programs resources has been committed under these agreements.

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**8. 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 \$1,102,126 (2013 - \$1,307,327) were incurred, of which \$1,102,126 (2013 - \$1,307,327) is included in payables and accruals.

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**9. Restrictions on net resources**

Net resources under the Resource Recovery Fund 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.

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**10. Financial instruments risk management**

**Credit risk**

Credit risk is the risk of financial loss to the Resource Recovery Fund if a debtor fails to make payments when due. The Fund is exposed to this risk relating to its receivables and notes receivable.

Credit risk is mitigated by management's review of aging and collection of receivables, only 2.2% of receivables are over 60 days. The Fund recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable.

The Resource Recovery Fund is exposed to investment credit risk through its investments. The maximum exposure to investment credit risk is outlined in Note 4.

There have been no significant changes from the previous year in exposure to risk or policies, procedures and methods used to measure the risk.



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

March 31, 2014

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**10. Financial instruments risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The organization is exposed to this risk mainly in respect of its bank indebtedness, payables and accruals and municipal solid waste diversion credits payable. At balance date, the organization has available financial assets to meet these obligations and there was no significant change in exposure from the prior year.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to currency and price risk related to its sales of recyclable materials.

The currency risk is predominately US funds. The average US exchange rate was \$1.053 for the twelve month period. As at March 31, 2014 the receivables denominated in US currency were approximately \$486,000 (2013 - \$300,000).

The price risk is related to fluctuations in commodities. During the year commodity prices for PET and aluminium fluctuated by approximately 7%. This fluctuation could result in an increase or decrease of sales by approximately \$342,000. The Resource Recovery Fund participates in a national buying group on certain of its commodity sales to minimize the risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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**11. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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

Year ended March 31	Budget 2014	2014	2013
Inventory, beginning of year	\$ 151,707	\$ 175,883	\$ 151,707
Deposit refunds	17,412,300	16,931,905	16,695,606
Enviro-Depot handling fees	14,029,600	13,901,741	12,939,015
Local cartage	1,654,600	1,625,452	1,638,737
Regional processing	1,284,200	1,136,982	1,237,096
Freight-in	181,800	137,243	150,501
Central processing expenses			
Amortization	179,000	152,781	146,531
Building expenses	51,000	60,483	56,361
Insurance	800	1,017	667
Meetings and travel	18,500	13,007	21,442
Postage, delivery and office	7,500	2,722	1,870
Professional fees	100,000	60,479	56,210
Propane – forklift	5,200	2,584	4,389
Repairs and maintenance:			
Bulk bags and containers	17,000	21,135	24,163
Equipment	5,000	2,378	1,788
Salaries and benefits	443,500	427,713	422,311
Shipping supplies	50,000	-	46,129
Telecommunications	6,500	7,982	7,055
Vehicle expense	1,500	1,144	347
Non-deposit materials	20,000	19,394	18,142
Used tire management program	3,545,300	3,543,112	3,691,350
Other	-	51,558	423,370
	39,165,007	38,276,695	37,734,787
Inventory, end of year	151,707	193,069	175,883
	<u>\$ 39,013,300</u>	<u>\$ 38,083,626</u>	<u>\$ 37,558,904</u>

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

Year ended March 31	Budget 2014	2014	2013
Amortization	\$ 234,000	\$ 137,351	\$ 116,604
Bad debt	-	5,735	7,888
Bank charges and interest	7,500	14,851	6,941
Board fees and expenses	65,000	52,518	63,129
Building expenses	156,800	151,262	153,698
Dues and fees	8,500	4,509	7,949
Insurance	17,000	16,566	16,657
Meetings and travel	81,500	60,380	61,802
Office expense	24,000	20,891	28,730
Postage and delivery	6,000	7,349	5,198
Printing and stationery	4,000	491	850
Professional fees	195,000	120,323	188,587
Public relations	100,000	104,134	60,808
Salaries and benefits	1,222,800	1,051,522	1,168,059
Software development and support	22,000	17,632	10,681
Telecommunications	34,000	29,468	28,222
Training	40,000	21,814	41,024
	<u>\$ 2,218,100</u>	<u>\$ 1,816,796</u>	<u>\$ 1,966,827</u>