



Combined financial statements

Resource Recovery Fund Board Inc. and
Resource Recovery Fund

March 31, 2015

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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, 2015, 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 Canadian public sector accounting standards, 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, 2015, 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 Canadian public sector accounting standards.

Truro, Canada
June 4, 2015



Chartered Accountants

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

Year ended March 31, 2015

	Budget <u>2015</u>	<u>2015</u>	<u>2014</u>
Revenues			
Deposits	\$ 39,103,300	\$ 40,098,659	\$ 39,846,441
Sales of recyclable materials (Note 10)	4,903,600	5,804,650	4,629,288
Tire program	3,581,600	3,760,168	3,770,901
Rental income	182,000	182,000	182,000
Investment and other income	<u>584,100</u>	<u>518,999</u>	<u>827,826</u>
Total revenues	<u>48,354,600</u>	<u>50,364,476</u>	<u>49,256,456</u>
Expenses			
Operating (Page 14)	38,516,000	38,197,707	38,095,217
Administrative (Page 15)	2,025,000	2,015,783	1,805,205
Other expenditures and allocations			
Approved program grants	1,300,000	1,021,243	1,077,388
Education and awareness	1,496,000	1,344,706	1,487,849
Regional committees	335,000	326,576	326,400
Household hazardous waste program	112,000	112,000	112,000
Municipal enforcement program funding	700,000	692,500	684,590
Research, development and special projects	<u>225,000</u>	<u>80,016</u>	<u>157,178</u>
	<u>44,709,000</u>	<u>43,790,531</u>	<u>43,745,827</u>
Excess of revenues over expenses before allocations	<u>3,645,600</u>	<u>6,573,945</u>	<u>5,510,629</u>
Municipal solid waste diversion credits	2,551,920	4,601,761	3,857,440
Nova Scotia Environment	<u>729,120</u>	<u>1,314,789</u>	<u>1,102,126</u>
Excess of revenues over expenditures	<u>\$ 364,560</u>	<u>\$ 657,395</u>	<u>\$ 551,063</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

2015

2014

	Resource Recovery Fund			<u>Total</u>	<u>Total</u>
	<u>Invested in Capital Assets</u>	<u>Restricted for Future Projects</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$ 5,268,528	\$ 282,066	\$ 963,818	\$ 6,514,412	\$ 5,963,349
Excess of revenue over expenses	(559,671)	-	1,217,066	657,395	551,063
Transfers	<u>141,371</u>	<u>1,156,109</u>	<u>(1,297,480)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>4,850,228</u>	\$ <u>1,438,175</u>	\$ <u>883,404</u>	\$ <u>7,171,807</u>	\$ <u>6,514,412</u>

Unrestricted net resources represented by:

Committed funds (Note 7)

\$ 335,401

Uncommitted funds

548,003

\$ **883,404**

See accompanying notes to the combined financial statements

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

March 31

2015

2014

Financial assets

Cash and cash equivalents	\$ 7,295,015	\$ 7,331,774
Receivables	4,632,308	4,090,199
Accrued receivables	434,841	907,860
Notes receivable (Note 3)	178,271	212,054
Investments (Note 4)	12,280,060	11,757,951
Inventory	113,487	193,069
	<u>24,933,982</u>	<u>24,492,907</u>

Financial liabilities

Bank indebtedness (Note 6)	-	8
Payables and accruals	1,375,087	4,027,744
Municipal solid waste diversion credits payable	4,601,763	3,857,440
Payable to Nova Scotia Environment	1,314,789	1,102,126
Unearned revenue	15,386,600	14,359,300
	<u>22,678,239</u>	<u>23,346,618</u>

Net financial resources

	<u>2,255,743</u>	<u>1,146,289</u>
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Non-financial assets

Prepays	65,836	99,595
Tangible capital assets (Note 5)	4,850,228	5,268,528
	<u>4,916,064</u>	<u>5,368,123</u>

Net resources (Page 4 and Note 9)

	<u>\$ 7,171,807</u>	<u>\$ 6,514,412</u>
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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	Budget	2015	2014
Excess of revenue over expenditures	\$ 364,560	\$ <u>657,395</u>	\$ <u>551,063</u>
Acquisition of tangible capital assets, net	(497,500)	(156,371)	(2,303,175)
Amortization of tangible capital assets	<u>-</u>	<u>574,671</u>	<u>321,638</u>
	<u>(497,500)</u>	<u>418,300</u>	<u>(1,981,537)</u>
Acquisition of prepaids	<u>-</u>	<u>33,759</u>	<u>7,417</u>
Increase (decrease) in net financial resources	\$ <u>(132,940)</u>	\$ <u>1,109,454</u>	\$ <u>(1,423,057)</u>
Net financial resources, beginning of year	\$ 1,146,289	\$ 2,569,346	
Increase (decrease) in financial resources		<u>1,109,454</u>	<u>(1,423,057)</u>
Net financial resources, end of year	\$ 2,255,743	\$ <u>1,146,289</u>	

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

2015

2014

Increase (decrease) in cash and cash equivalents:

Operating		
Excess of revenues over expenditures	\$ 657,395	\$ 551,063
Amortization	574,671	321,638
Gain on sale of tangible capital assets	<u>(15,000)</u>	<u>-</u>
	1,217,066	872,701
Change in non-cash operating working capital		
Receivables	(69,090)	650,895
Inventory	79,582	(17,186)
Prepays	33,759	7,417
Payables and accruals	(1,695,671)	642,180
Unearned revenue	<u>1,027,300</u>	<u>191,952</u>
	<u>592,946</u>	<u>2,347,959</u>
Financing		
Repayment of bank borrowings	<u>(8)</u>	<u>(500,618)</u>
Capital		
Proceeds from sale of tangible capital assets	15,000	-
Purchase of tangible capital assets	<u>(156,371)</u>	<u>(2,303,175)</u>
	<u>(141,371)</u>	<u>(2,303,175)</u>
Investing		
Proceeds from sale of investments	7,093,112	7,250,156
Purchase of investments	(7,615,221)	(1,000,000)
Issue of notes receivable	-	(91,308)
Repayment of notes receivable	<u>33,783</u>	<u>28,171</u>
	<u>(488,326)</u>	<u>6,187,019</u>
Net (decrease) increase in cash and cash equivalents	(36,759)	5,731,185
Cash and cash equivalents, beginning of year	<u>7,331,774</u>	<u>1,600,589</u>
Cash and cash equivalents, end of year	\$ <u>7,295,015</u>	\$ <u>7,331,774</u>

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Notes to the combined financial statements

March 31, 2015

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.

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.

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Notes to the combined financial statements

March 31, 2015

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:

Buildings	5%, straight line
Field equipment	20%, straight line
Processing equipment	12.5%, 20%, 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	14.2%, 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 Fund 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.

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Notes to the combined financial statements

March 31, 2015

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, unearned revenue, payable to Nova Scotia Environment 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 assesses each financial instrument to determine whether there are any impairment losses. If so, they 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*.

3. Notes receivable

	<u>2015</u>	<u>2014</u>
Non-interest bearing notes with variable payments, maturing between 2016 and 2028.	\$ <u>178,271</u>	\$ <u>212,054</u>

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

March 31, 2015

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 0.78% to 1.85% and mature as follows:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
\$ <u>4,357,557</u>	\$ <u>4,122,503</u>	\$ <u>3,800,000</u>	\$ <u>12,280,060</u>

5. Tangible capital assets

			<u>2015</u>	<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 294,100	\$ -	\$ 294,100	\$ 294,100
Field equipment	430,982	426,726	4,256	14,460
Processing equipment	461,123	99,435	361,688	386,200
Buildings	2,986,531	735,875	2,250,656	2,370,915
Office and warehouse equipment	213,854	183,921	29,933	15,360
Containers	1,448,555	1,372,975	75,580	110,487
Leasehold improvements	9,508	379	9,129	3,957
Computer hardware and software	1,293,397	833,601	459,796	552,852
Vehicles	51,939	51,569	370	14,797
Trailers	<u>1,613,600</u>	<u>248,880</u>	<u>1,364,720</u>	<u>1,505,400</u>
	<u>\$ 8,803,589</u>	<u>\$ 3,953,361</u>	<u>\$ 4,850,228</u>	<u>\$ 5,268,528</u>

6. Bank indebtedness

The Resource Recovery Fund has an operating credit facility of \$2,000,000 none of which is used at March 31, 2015. Interest is calculated at prime plus 0.5%.

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

March 31, 2015

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, 2015, \$335,401 (2014 - \$290,396) of the restricted for approved programs resources has been committed under these agreements.

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 \$1,314,789 (2014 - \$1,102,126) were incurred, of which \$1,314,789 (2014 - \$1,102,126) is payable at year end.

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.

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 0.75% 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.

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

March 31, 2015

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 \$1.139 for the twelve month period. As at March 31, 2015 the receivables denominated in US currency were approximately \$577,396 (2014 - 486,000).

The price risk is related to fluctuations in commodities. During the year commodity prices for PET and aluminium fluctuated by approximately 12%. This fluctuation could result in an increase or decrease of sales by approximately \$677,000. 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.

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 2015	2015	2014
Inventory, beginning of year	\$ 175,883	\$ 193,069	\$ 175,883
Deposit refunds	16,725,600	16,785,482	16,931,905
Enviro-Depot handling fees	14,527,900	13,803,942	13,901,741
Local cartage	1,397,400	1,890,211	1,625,452
Regional processing	880,700	906,406	1,136,982
Freight-in	181,300	196,173	137,243
Central processing expenses			
Amortization	91,876	84,140	99,924
Building expenses	36,800	39,406	60,483
Insurance	800	25,104	12,608
Meetings and travel	25,000	24,431	13,007
Postage, delivery and office	7,000	3,295	2,722
Professional fees	50,000	2,760	60,479
Propane – forklift	5,000	3,011	2,584
Repairs and maintenance:			
Bulk bags and containers	21,500	549	21,135
Equipment	6,500	3,338	2,378
Salaries and benefits	463,000	410,433	427,713
Shipping supplies	50,400	45,789	-
Telecommunications	8,400	8,701	7,982
Vehicle	1,000	2,197	1,144
Amortization	155,524	156,380	52,857
Non-deposit materials	17,400	20,595	19,394
Used tire management program	3,823,700	3,671,466	3,543,112
Other	39,200	34,316	51,558
	38,691,883	38,311,194	38,288,286
Inventory, end of year	175,883	113,487	193,069
	<u>\$ 38,516,000</u>	<u>\$ 38,197,707</u>	<u>\$ 38,095,217</u>

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

Year ended March 31	Budget 2015	2015	2014
Amortization	\$ 258,200	\$ 243,140	\$ 137,351
Bad debt	-	4,810	5,735
Bank charges and interest	14,000	3,302	14,851
Board fees and expenses	75,000	65,883	52,518
Building expenses	157,200	159,898	151,262
Dues and fees	6,800	7,585	4,509
Insurance	17,000	4,977	4,975
Meetings and travel	60,000	48,424	60,380
Office expense	24,000	26,766	20,891
Postage and delivery	7,500	8,562	7,349
Printing and stationery	4,000	370	491
Professional development	40,000	32,963	21,814
Professional fees	150,000	179,242	120,323
Public relations	100,000	66,137	104,134
Salaries and benefits	1,048,300	1,067,742	1,051,522
Technology support and licensing	32,000	67,401	17,632
Telecommunications	31,000	28,581	29,468
	<u>\$ 2,025,000</u>	<u>\$ 2,015,783</u>	<u>\$ 1,805,205</u>