

Combined Financial Statements

Resource Recovery Fund Board Inc. and
Resource Recovery Fund (operating as Divert
NS)

March 31, 2023

Contents

	Page
Independent Auditor's Report	1 – 2
Combined Statement of Operations	3
Combined Statement of Financial Position	4
Combined Statement of Changes in Net Financial Resources	5
Combined Statement of Remeasurement Gains	6
Combined Statement of Cash Flows	7
Notes to the Combined Financial Statements	8 – 15
Combined Statement of Operating Expenses	16
Combined Statement of Administrative Expenses	17
Supplementary Schedule of Individual and Combined Statements of Operation	18

Independent Auditor's Report

Grant Thornton LLP
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421-1734
F +1 902 420-1068
www.GrantThornton.ca

To the Board of Directors of the
Resource Recovery Fund Board Inc. and Resource Recovery Fund (operating as Divert NS)

Opinion

We have audited the accompanying combined financial statements of the Resource Recovery Fund Board Inc. and Resource Recovery Fund (operating as Divert NS) (the "Organization"), which comprise the combined statement of financial position as at March 31, 2023, the combined statements of operations, changes in net financial resources, remeasurement gains and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements present fairly in all material respects, the financial position of the Organization as at March 31, 2023, and its results of operations, changes in net financial resources, remeasurement gains and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule included on Page 18 is presented for purposes of additional information and is not a required part of the combined financial statements. Such supplementary information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the combined financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the combined financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Canada
May 25, 2023



Chartered Professional Accountants

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Operations

Year ended March 31	Budget 2023 (Note 10)	2023	2022
Revenues			
Deposits	\$ 55,887,000	\$ 55,375,779	\$ 52,915,719
Sales of recyclable materials	9,167,000	10,616,431	9,213,052
Tire program	5,747,000	6,072,796	6,055,983
Investment and other income	446,000	777,655	1,083,852
Rental income	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total revenues	<u>71,547,000</u>	<u>73,142,661</u>	<u>69,568,606</u>
Expenses			
Operating (Page 16)	58,032,000	53,305,952	53,219,186
Administrative (Page 17)	2,309,000	2,030,281	1,948,818
Other expenditures and funding:			
Approved program grants	1,250,000	1,142,963	1,290,734
Education and communication	2,618,000	1,959,292	1,966,932
Household hazardous waste program	140,000	140,000	140,000
Municipal enforcement program funding	700,000	700,000	700,000
Programs, development and other funding	650,000	415,180	144,695
Regional chairs and coordinators	<u>346,000</u>	<u>335,208</u>	<u>337,455</u>
	<u>66,045,000</u>	<u>60,028,876</u>	<u>59,747,820</u>
Excess of revenues over expenses before allocations	<u>5,502,000</u>	<u>13,113,785</u>	<u>9,820,786</u>
Municipal solid waste diversion credits (Note 7)	3,851,400	9,179,651	6,578,464
Nova Scotia Environment and Climate Change (Note 7 and Note 8)	<u>1,100,400</u>	<u>2,188,807</u>	<u>1,879,561</u>
Excess of revenue over expenditures	<u>550,200</u>	<u>1,745,327</u>	<u>1,362,761</u>
Accumulated annual net resources, beginning of year	11,233,763	11,233,763	9,871,002
Accumulated annual net resources, end of year (Note 9)	<u>\$ 11,783,963</u>	<u>\$ 12,979,090</u>	<u>\$ 11,233,763</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Financial Position

March 31 2023 2022

Financial assets

Cash and cash equivalents	\$ 7,928,655	\$ 9,857,321
Receivables	7,010,912	7,910,716
Accrued receivables	505,043	188,933
Notes receivable (Note 3)	615,226	436,360
Investments (Note 4)	31,465,124	24,465,124
Inventory	95,446	321,783
	47,620,406	43,180,237

Financial liabilities

Payables and accruals	4,580,079	4,296,162
Municipal solid waste diversion credits payable	11,877,191	7,697,540
Payable to Nova Scotia Environment and Climate change (Note 7 and Note 8)	2,622,758	1,879,561
Unearned revenue	22,897,200	22,775,200
	41,977,228	36,648,463

Net financial resources (Page 5)

5,643,178 **6,531,774**

Non-financial assets

Prepays	2,500	9,478
Tangible capital assets (Note 5)	7,333,412	4,692,511
	7,335,912	4,701,989

Accumulated net resources (Note 9)

\$ 12,979,090 **\$ 11,233,763**

Commitments (Note 13)

On Behalf of the Board



Director

Angus Bonnyman, Chair of Audit Committee



Director

Ken Meech, Chair of Board

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Changes in Net Financial Resources

March 31	Budget 2023 (Note 10)	2023	2022
Excess of revenue over expenditures	\$ 550,200	\$ 1,745,327	\$ 1,362,761
Net remeasurement loss (Page 6)	-	-	(422,980)
Purchase of tangible capital assets	(1,965,000)	(3,226,149)	(747,966)
Amortization of tangible capital assets	712,000	585,248	613,948
Proceeds on disposal of tangible capital assets	-	4,783	62,480
Gain on disposal of tangible capital assets	-	(4,783)	(62,480)
	(1,253,000)	(2,640,901)	(556,998)
Acquisition (usage) of prepaids	(6,978)	6,978	(6,191)
(Decrease) increase in net financial resources	\$ (709,778)	\$ (888,596)	\$ 799,572
Net financial resources, beginning of year		\$ 6,531,774	\$ 5,732,202
(Decrease) increase in financial resources		(888,596)	799,572
Net financial resources, end of year		\$ 5,643,178	\$ 6,531,774

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Remeasurement Gains

Year ended March 31	2023	2022
Accumulated remeasurement gains, beginning of year	\$ -	\$ 422,980
Unrealized loss attributable to portfolio investments (Note 9)	<u>-</u>	<u>(422,980)</u>
Accumulated remeasurement gains, end of year	<u>\$ -</u>	<u>\$ -</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Cash Flows

Year ended March 31

2023

2022

Increase (decrease) in cash and cash equivalents:

Operating		
Excess of revenue over expenditures	\$ 1,745,327	\$ 1,362,761
Amortization	585,248	613,948
Realized gain on investments	-	(560,000)
Gain on disposal of tangible capital assets	<u>(4,783)</u>	<u>(62,480)</u>
	2,325,792	1,354,229
Change in non-cash operating working capital		
Receivables	583,694	(545,889)
Inventory	226,337	(222,465)
Prepays	6,978	(6,191)
Payables and accruals	5,206,765	2,976,519
Unearned revenue	<u>122,000</u>	<u>491,200</u>
	<u>8,471,566</u>	<u>4,047,403</u>
Capital		
Proceeds on disposal of tangible capital assets	4,783	62,480
Purchase of tangible capital assets	<u>(3,226,149)</u>	<u>(747,966)</u>
	<u>(3,221,366)</u>	<u>(685,486)</u>
Investing		
Proceeds from sale of investments	4,000,000	14,560,025
Purchase of investments	(11,000,000)	(16,458,000)
Interest in joint venture	-	4,389
Issue of notes receivable	(231,845)	(328,633)
Repayment of notes receivable	<u>52,979</u>	<u>111,063</u>
	<u>(7,178,866)</u>	<u>(2,111,156)</u>
Net (decrease) increase in cash and cash equivalents	(1,928,666)	1,250,761
Cash and cash equivalents, beginning of year	<u>9,857,321</u>	<u>8,606,560</u>
Cash and cash equivalents, end of year	<u>\$ 7,928,655</u>	<u>\$ 9,857,321</u>

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.

Resource Recovery Fund (operating as Divert NS)

Notes to the Combined Financial Statements

March 31, 2023

1. Nature of operations

The Resource Recovery Fund Board Inc., operating as Divert NS ("Resource Recovery Fund"), 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 work in partnership with Nova Scotians to improve the province's environment, economy and quality of life by reducing, reusing, recycling and recovering resources.

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 accounting in the public sector as established by the Canadian Public Sector Accounting Board (PSAB) of Chartered Professional Accountants (CPA) Canada.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Resource Recovery Fund'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, estimated useful life of tangible capital assets in addition to estimated rates and basis of 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.

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:

Resource Recovery Fund Board Inc.

Resource Recovery Fund (operating as Divert NS)

Notes to the Combined Financial Statements

March 31, 2023

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Buildings	5%, straight-line
Paving	8%, straight-line
Field equipment	20%, straight-line
Processing equipment	12.5%, 20%, straight-line
Leasehold improvements	10%, straight-line
Office and warehouse equipment	20%, straight-line
Computer software and hardware	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 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 Resource Recovery 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.

Foreign currency translation

The Resource Recovery 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.

Resource Recovery Fund Board Inc.

Resource Recovery Fund (operating as Divert NS)

Notes to the Combined Financial Statements

March 31, 2023

2. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments include cash and cash equivalents, receivables, accrued receivables, notes receivable, investments, payables and accruals, payable to Nova Scotia Environment and Climate Change, and municipal solid waste diversion credits payable. They are initially recognized at cost, except for portfolio investments, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Portfolio investments with underlying assets quoted in active markets are measured at fair value.

Management assesses each financial instrument to determine whether there are any impairment losses, if there are, 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.

Unrealized gains or losses are reported on the statement of remeasurement gains and losses. The realized gain or loss upon derecognition of a financial instrument measured at fair value is recognized in the statement of operations.

Income taxes

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

Joint venture

The Resource Recovery Fund is part of a joint venture in the Canadian Association of Tire Recycling Agencies (CATRA). This investment is recognized using the modified equity method.

3. Notes receivable	<u>2023</u>	<u>2022</u>
Non-interest bearing notes with variable payments, maturing between fiscal 2024 and 2030.	<u>\$ 615,226</u>	<u>\$ 436,360</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Notes to the Combined Financial Statements

March 31, 2023

4. Investments	<u>2023</u>	<u>2022</u>
Investments consist of the following:		
i) Promissory notes from the Province of Nova Scotia Department of Finance. These notes are issued at interest rates ranging from 1.76% to 3.99% and mature as follows: \$6.0 million maturing in 2025 and \$3.0 million maturing in 2027.	\$ 9,000,000	\$ 10,000,000
ii) Fixed GICs with CIBC and Scotiabank. These GICs are issued at interest rates of 5.53% and mature in 2024.	4,000,000	-
iii) Principal protected notes held with CIBC, initially measured at cost, subsequently recorded at the higher of cost and fair value, maturing as follows: \$2.0 million maturing in 2026, \$4.0 million maturing in 2027, \$4.2 million maturing in 2028, and \$8.2 million maturing in 2029. These notes are subject to variable interest, to be paid on the maturity date.	18,458,000	14,458,000
iv) Joint venture with Canadian Association of Tire Recycling Agencies (CATRA).	<u>7,124</u>	<u>7,124</u>
Total investments	<u>\$ 31,465,124</u>	<u>\$ 24,465,124</u>

5. Tangible capital assets	<u>2023</u>			<u>2022</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	154,603	114,959	39,644	14,133
Processing equipment	989,141	215,430	773,711	611,948
Buildings	4,896,130	2,120,010	2,776,120	2,670,115
Paving	540,845	170,706	370,139	263,591
Office and warehouse equipment	313,100	300,531	12,569	21,364
Containers	1,613,810	1,194,492	419,318	387,657
Leasehold improvements	26,648	7,986	18,662	2,473
Computer hardware and software	616,825	599,147	17,678	20,355
Vehicles	114,305	65,643	48,662	6,845
Trailers	<u>4,681,058</u>	<u>2,118,249</u>	<u>2,562,809</u>	<u>399,930</u>
	<u>\$14,240,565</u>	<u>\$ 6,907,153</u>	<u>\$ 7,333,412</u>	<u>\$ 4,692,511</u>

Included in tangible capital assets is \$2,505,296 relating to the purchase of trailers, electric forklifts, and a vehicle. As at March 31, 2023, these assets were not available for use and therefore no amortization was taken.

Resource Recovery Fund Board Inc.

Resource Recovery Fund (operating as Divert NS)

Notes to the Combined Financial Statements

March 31, 2023

6. Bank indebtedness

The Resource Recovery Fund has an operating credit facility of \$2,000,000 of which \$nil is used at March 31, 2023 (2022 – \$nil). Interest is calculated at prime minus 0.5%.

7. Allocations

As stipulated in the agreement with the Nova Scotia Department of Environment and Climate Change:

- a) the Board shall reimburse the Department up to a maximum of 20% of the net revenue of the Fund for all reasonable services performed and related expenses incurred by the Department; and
- b) the Board shall pay a minimum of 70% of the net revenue of the fund to be divided among municipalities in each region based on the solid waste diverted by the municipality or region

The allocations as presented on the combined statement of operations are determined as follows:

	<u>2023</u>	<u>2022</u>
Excess of revenues over expenses before allocations	\$ 13,113,785	\$ 9,820,786
Net remeasurement loss	-	(422,980)
Net revenue	\$ 13,113,785	\$ 9,397,806
Nova Scotia Environment and Climate Change (20%)	\$ 2,622,758	\$ 1,879,561
Municipal solid waste diversion credits (70%)	\$ 9,179,651	\$ 6,578,464

The Nova Scotia Environment and Climate Change reimbursement expense was credited \$433,951 in the current year for the unused portion of the prior year payable.

8. Related party transactions

Included in the financial statements are transactions with the Province of Nova Scotia and various provincial Crown Corporations, agencies, boards and commissions. The parties are deemed to be related due to common control or ownership by the Province of Nova Scotia. These transactions include the following:

- a) Deposit revenues received from entities under common control totalling \$18,157,537 (2022 - \$18,288,484).
- b) Included in accounts receivable are amounts owed from the Province of Nova Scotia and provincially controlled entities in the amount of \$2,013,854 (2022 - \$2,024,254).
- c) The Resource Recovery Fund reimburses Nova Scotia Environment and Climate Change (as noted above) up to a maximum of 20% of the net revenues of the Fund for services and expenses incurred on the Resource Recovery Fund's behalf. During the year, a reimbursement expense of \$2,188,807 (2022 – \$1,879,561) was recorded. The total liability at the end of 2023 is \$2,622,758 (2022 – \$1,879,561).

All transactions with related parties are in the normal course of operations and are transacted at the exchange amount agreed to by related parties.

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Notes to the Combined Financial Statements

March 31, 2023

9. Accumulated net resources				<u>2023</u>	<u>2022</u>
	Invested in Capital Assets	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 4,692,511	\$ 2,979,909	\$ 3,561,343	\$ 11,233,763	\$10,293,982
Excess (deficiency) of revenues over expenditures	(580,465)	(270,642)	2,596,434	1,745,327	1,362,761
Net remeasurement (loss) gain	-	-	-	-	(422,980)
Transfers	<u>3,221,366</u>	<u>710,000</u>	<u>(3,931,366)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 7,333,412</u>	<u>\$ 3,419,267</u>	<u>\$ 2,226,411</u>	<u>\$ 12,979,090</u>	<u>\$11,233,763</u>
Restricted funds represented by:					
Committed funds (Note 13)		\$ 377,525			
Future projects		<u>3,041,742</u>			
		<u>\$ 3,419,267</u>			
Accumulated net resources represented by:					
Accumulated annual net resources				\$12,979,090	\$11,656,743
Accumulated remeasurement (loss) gain				<u>-</u>	<u>(422,980)</u>
				<u>\$12,979,090</u>	<u>\$11,233,763</u>

Net resources under the Resource Recovery Fund restricted for future projects, represents funds committed to approved programs and funds internally restricted for funding various future projects as approved and in accordance with the goals and objectives of the Resource Recovery Fund (Divert NS).

10. Budget figures

The budgeted figures presented are approved annually by the Board and represent planned revenues and expenses for entity wide operations. The budgeted figures presented are consistent with Public Sector Accounting Standards ("PSAS"). The fiscal 2023 budget was approved by the Board on January 13, 2022.

11. 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% (2022 – 7.4%) 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.

Resource Recovery Fund Board Inc.

Resource Recovery Fund (operating as Divert NS)

Notes to the Combined Financial Statements

March 31, 2023

11. Financial instruments risk management (continued)

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.

Liquidity risk

Liquidity risk is the risk that the Resource Recovery Fund will encounter difficulty in meeting the obligations associated with its financial liabilities. The Resource Recovery Fund is exposed to this risk mainly in respect of its payables and accruals and municipal solid waste diversion credits payable. At balance date, the Resource Recovery Fund 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 Resource Recovery Fund is mainly exposed to currency and price risk related to its sales of recyclable materials.

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The currency risk is predominately US funds. The average US exchange rate was \$1.3230 for the twelve-month period. As at March 31, 2023 the receivables denominated in US currency were approximately \$782,423 (2022 – \$2,289,986).

Other price risk is the risk that the fair value of future cash flows will fluctuate due to changes in market prices. Price risk is related to fluctuations in commodities. During the year commodity prices for polyethylene terephthalate (PET) and aluminium fluctuated by approximately 25.53%. This fluctuation could result in an increase or decrease of sales by approximately \$2,758,802. 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.

12. Excess net resources

As stipulated in the agreement with Nova Scotia Department of Environment and Climate Change, the Board shall endeavour to limit its unrestricted accumulated net resources to 5% of gross revenues during any particular fiscal year. In the current year, unrestricted accumulated net resources did not exceed 5% of gross revenues (2022 - \$82,913). In the event that unrestricted accumulated net resources does exceed 5% of gross revenues by \$100,000 or more, the Board shall recommend to the Minister a proposed distribution of the excess. As the excess did not exceed \$100,000 in the current year, no distribution is required.

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Notes to the Combined Financial Statements

March 31, 2023

13. Commitments

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, 2023, \$377,525 (2022 - \$241,150) of the restricted for approved programs resources has been committed under these agreements.

14. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Operating Expenses

Year ended March 31	Budget 2023 (Note 10)	2023	2022
Inventory, beginning of year	\$ 321,783	\$ 321,783	\$ 99,318
Amortization	139,000	118,798	186,382
Central processing expenses			
Amortization	130,000	121,079	122,124
Building	100,000	63,518	55,450
Forklift – maintenance and propane	11,500	14,464	15,433
Meetings and travel	26,500	23,209	8,540
Postage, delivery and office	2,000	4,153	3,716
Professional fees	25,000	-	29,633
Salaries and benefits	508,000	465,718	466,699
Shipping supplies	45,000	40,112	49,850
Telecommunications	7,500	5,768	6,292
Training	5,000	4,761	6,170
Vehicle	2,500	77	481
Deposit refunds	24,855,000	21,946,329	22,973,109
Enviro-Depot handling fees	22,918,000	20,769,544	20,929,192
Insurance	141,000	135,109	115,038
Local cartage	3,208,000	3,223,219	2,619,188
Non-deposit materials	50,000	39,336	47,803
Other	95,000	174,147	210,527
Regional processing	934,000	883,013	897,648
Used tire management program	4,829,000	5,047,261	4,698,376
	58,353,783	53,401,398	53,540,969
Inventory, end of year	321,783	95,446	321,783
	<u>\$ 58,032,000</u>	<u>\$ 53,305,952</u>	<u>\$ 53,219,186</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Combined Statement of Administrative Expenses

Year ended March 31	Budget 2023 (Note 10)	2023	2022
Amortization	\$ 207,000	\$ 163,220	\$ 156,164
Bad debt	6,000	30,358	3,303
Bank charges and interest	14,000	13,442	13,144
Board fees and expenses	80,000	61,476	53,030
Building	185,000	152,801	138,552
Dues and fees	30,000	21,100	9,927
Insurance	156,000	157,518	124,307
Meetings and travel	36,000	22,265	7,317
Office	27,000	26,637	24,517
Postage, printing and delivery	4,000	2,685	2,249
Professional development	45,000	17,808	36,267
Professional fees	289,000	212,489	218,489
Public relations	60,000	36,157	42,221
Salaries and benefits	1,075,000	1,015,412	1,037,748
Technology support and licensing	82,000	86,720	70,000
Telecommunication	13,000	10,193	11,583
	<u>\$ 2,309,000</u>	<u>\$ 2,030,281</u>	<u>\$ 1,948,818</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund (operating as Divert NS)
Supplementary Schedule of Individual and Combined
Statements of Operation

Year ended March 31, 2023

	Resource Recovery Fund <u>Board Inc.</u>	Resource Recovery <u>Fund</u>	<u>Combined</u>
Revenues			
Administrative ¹	\$ 56,453,584	\$ -	\$ -
Deposits	-	55,375,779	55,375,779
Sales of recyclable materials	-	10,616,431	10,616,431
Tire program	-	6,072,796	6,072,796
Investment and other income	-	777,655	777,655
Rental income	-	300,000	300,000
Total revenues	<u>56,453,584</u>	<u>73,142,661</u>	<u>73,142,661</u>
Expenses			
Operating	52,657,588	648,364	53,305,952
Administrative ¹	1,836,704	56,647,161	2,030,281
Other expenditures and funding			
Approved program grants	-	1,142,963	1,142,963
Education and communication	1,959,292	-	1,959,292
Household hazardous waste program	-	140,000	140,000
Municipal enforcement program funding	-	700,000	700,000
Programs, development and other funding	-	415,180	415,180
Regionals chairs and coordinators	-	335,208	335,208
	<u>56,453,584</u>	<u>60,028,876</u>	<u>60,028,876</u>
Excess of revenues over expenses before allocations	-	13,113,785	13,113,785
Municipal solid waste diversion credits	-	9,179,651	9,179,651
Nova Scotia Environment and Climate Change	-	2,188,807	2,188,807
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 1,745,327</u>	<u>\$ 1,745,327</u>

¹Administrative revenue and expenses of \$56,453,584 have been eliminated on combination.