



Combined financial statements

Resource Recovery Fund Board Inc. and
Resource Recovery Fund

March 31, 2016

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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, 2016, 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, 2016, 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.

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 16 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.

Truro, Canada
June 2, 2016



Chartered Accountants

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

Year ended March 31, 2016

	Budget <u>2016</u>	<u>2016</u>	<u>2015</u>
Revenues			
Deposits	\$ 39,865,000	\$ 41,020,897	\$ 40,098,659
Sales of recyclable materials (Note 10)	5,918,000	4,996,899	5,840,561
Tire program	3,644,800	4,145,889	3,760,168
Investment and other income	337,200	394,997	518,999
Rental income	<u>182,000</u>	<u>182,000</u>	<u>182,000</u>
Total revenues	<u>49,947,000</u>	<u>50,740,682</u>	<u>50,400,387</u>
Expenses			
Operating (Page 14)	38,185,200	41,063,248	38,233,618
Administrative (Page 15)	2,196,500	1,897,044	2,015,783
Other expenditures and allocations			
Approved program grants	1,300,000	1,082,171	1,021,243
Education and awareness	1,591,000	1,391,774	1,344,706
Regional committees	335,000	328,628	326,576
Household hazardous waste program	112,000	112,000	112,000
Municipal enforcement program funding	700,000	707,500	692,500
Research, development and special projects	<u>250,000</u>	<u>96,520</u>	<u>80,016</u>
	<u>44,669,700</u>	<u>46,678,885</u>	<u>43,826,442</u>
Excess of revenues over expenses before allocations	<u>5,277,300</u>	<u>4,061,797</u>	<u>6,573,945</u>
Municipal solid waste diversion credits	3,694,110	2,843,258	4,601,761
Nova Scotia Environment	<u>1,055,460</u>	<u>812,359</u>	<u>1,314,789</u>
Excess of revenues over expenditures	<u>\$ 527,730</u>	<u>\$ 406,180</u>	<u>\$ 657,395</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

	2016			2015
	Resource Recovery Fund			
	Invested in Capital Assets	Restricted for Future Projects	Unrestricted	Total
Balance, beginning of year	\$ 4,850,228	\$ 1,438,175	\$ 883,404	\$ 7,171,807
Excess of revenue over expenses	(611,343)	-	1,017,523	406,180
Transfers	380,975	(58,103)	(322,872)	-
Balance, end of year	\$ 4,619,860	\$ 1,380,072	\$ 1,578,055	\$ 7,577,987

Unrestricted net resources represented by:

Committed funds (Note 7)	\$ 520,564
Uncommitted funds	1,057,491
	<u>\$ 1,578,055</u>

See accompanying notes to the combined financial statements

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

March 31

2016

2015

Financial assets

Cash and cash equivalents	\$ 7,383,176	\$ 7,295,015
Receivables	4,516,151	4,632,308
Accrued receivables	583,895	434,841
Notes receivable (Note 3)	163,542	178,271
Investments (Note 4)	13,922,503	12,280,060
Inventory	<u>153,404</u>	<u>113,487</u>
	<u>26,722,671</u>	<u>24,933,982</u>

Financial liabilities

Payables and accruals	2,183,090	1,375,087
Municipal solid waste diversion credits payable	2,843,260	4,601,763
Payable to Nova Scotia Environment	812,359	1,314,789
Unearned revenue	<u>17,974,000</u>	<u>15,386,600</u>
	<u>23,812,709</u>	<u>22,678,239</u>

Net financial resources

2,909,962 2,255,743

Non-financial assets

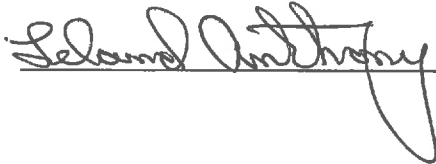
Prepays	48,165	65,836
Tangible capital assets (Note 5)	<u>4,619,860</u>	<u>4,850,228</u>
	<u>4,668,025</u>	<u>4,916,064</u>

Net resources (Page 4 and Note 9)

\$ 7,577,987 \$ 7,171,807

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	2016	2015
Excess of revenue over expenditures	\$ <u>527,730</u>	\$ <u>406,180</u>	\$ <u>657,395</u>
Acquisition of tangible capital assets, net	(497,500)	(380,975)	(156,371)
Amortization of tangible capital assets	<u>642,432</u>	<u>611,343</u>	<u>574,671</u>
	<u>144,932</u>	<u>230,368</u>	<u>418,300</u>
Usage of prepaids	<u>17,671</u>	<u>17,671</u>	<u>33,759</u>
Increase (decrease) in net financial resources	\$ <u>690,333</u>	\$ <u>654,219</u>	\$ <u>1,109,454</u>
Net financial resources, beginning of year	\$ 2,255,743	\$ 1,146,289	
Increase in financial resources		<u>654,219</u>	<u>1,109,454</u>
Net financial resources, end of year	\$ <u>2,909,962</u>	\$ <u>2,255,743</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

2016

2015

Increase (decrease) in cash and cash equivalents:

Operating		
Excess of revenues over expenditures	\$ 406,180	\$ 657,395
Amortization	611,343	574,671
Gain on sale of tangible capital assets	-	(15,000)
	<u>1,017,523</u>	<u>1,217,066</u>
Change in non-cash operating working capital		
Receivables	(32,897)	(69,090)
Inventory	(39,917)	79,582
Prepays	17,671	33,759
Payables and accruals	(1,452,930)	(1,695,671)
Unearned revenue	<u>2,587,400</u>	<u>1,027,300</u>
	<u>2,096,850</u>	<u>592,946</u>
Financing		
Repayment of bank borrowings	-	(8)
Capital		
Proceeds from sale of tangible capital assets	-	15,000
Purchase of tangible capital assets	<u>(380,975)</u>	<u>(156,371)</u>
	<u>(380,975)</u>	<u>(141,371)</u>
Investing		
Proceeds from sale of investments	4,357,557	7,093,112
Purchase of investments	(6,000,000)	(7,615,221)
Issue of notes receivable	(19,000)	-
Repayment of notes receivable	<u>33,729</u>	<u>33,783</u>
	<u>(1,627,714)</u>	<u>(488,326)</u>
Net increase (decrease) in cash and cash equivalents	88,161	(36,759)
Cash and cash equivalents, beginning of year	<u>7,295,015</u>	<u>7,331,774</u>
Cash and cash equivalents, end of year	\$ <u>7,383,176</u>	\$ <u>7,295,015</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, 2016

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 principles 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, 2016

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%, 20%, 33	1/3%, straight line
Leasehold improvements		10%, 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 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, 2016

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, 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(I)(d) of the *Canadian Income Tax Act*.

3. Notes receivable	<u>2016</u>	<u>2015</u>
Non-interest bearing notes with variable payments, maturing between 2017 and 2028.	\$ <u>163,542</u>	\$ <u>178,271</u>

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

March 31, 2016

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 0.89% to 1.85% and mature as follows:

<u>2017</u>	<u>2018</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
\$ <u>4,122,503</u>	\$ <u>3,800,000</u>	\$ <u>2,000,000</u>	\$ <u>4,000,000</u>	\$ <u>13,922,503</u>

5. Tangible capital assets

			<u>2016</u>	<u>2015</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	519,796	430,996	88,800	4,256
Processing equipment	462,060	152,284	309,776	361,688
Building	3,044,633	886,467	2,158,166	2,250,656
Office and warehouse equipment	304,024	193,729	110,295	29,933
Containers	1,550,499	1,408,979	141,520	75,580
Leasehold improvements	9,508	1,330	8,178	9,129
Computer hardware and software	1,334,372	959,546	374,826	459,796
Vehicles	51,939	51,939	-	370
Trailers	<u>1,613,600</u>	<u>479,401</u>	<u>1,134,199</u>	<u>1,364,720</u>
	<u>\$ 9,184,531</u>	<u>\$ 4,564,671</u>	<u>\$ 4,619,860</u>	<u>\$ 4,850,228</u>

6. Bank indebtedness

The Resource Recovery Fund has an operating credit facility of \$2,000,000 of which \$Nil is used at March 31, 2016. Interest is calculated at prime plus 0.5%.

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Notes to the combined financial statements

March 31, 2016

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, 2016, \$520,564 (2015 - \$335,401) 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 \$812,359 (2015 - \$1,314,789) were incurred, of which \$812,359 (2015 - \$1,314,789) is included in payables and accruals.

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 3% 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, 2016

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 \$1.311 for the twelve month period. As at March 31, 2016 the receivables denominated in US currency were approximately \$397,444 (2015 - \$577,396).

The price risk is related to fluctuations in commodities. During the year commodity prices for PET and aluminium fluctuated by approximately 10%. This fluctuation could result in an increase or decrease of sales by approximately \$508,000. 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 expenses

Year ended March 31	Budget 2016	2016	2015
Inventory, beginning of year	\$ 113,487	\$ 113,487	\$ 193,069
Amortization	229,500	230,521	156,380
Central processing expenses			
Amortization	60,800	46,735	84,140
Building expenses	58,500	50,690	39,406
Forklift – maintenance and propane	5,000	8,015	6,349
Meetings and travel	32,500	25,811	24,431
Postage, delivery and office	4,100	3,235	3,295
Professional fees	50,000	26,395	2,760
Repairs and maintenance:			
Bulk bags and containers	21,500	6,112	549
Salaries and benefits	397,500	402,292	410,433
Shipping supplies	58,700	11,144	45,789
Telecommunications	7,500	8,686	8,701
Vehicle expense	2,500	1,553	2,197
Deposit refunds	16,817,800	18,275,945	16,785,482
Enviro-Depot handling fees	13,838,000	14,993,381	13,803,942
Freight-in	283,100	326,848	196,173
Insurance	28,800	29,048	25,104
Local cartage	1,968,200	2,037,573	1,926,122
Non-deposit materials	17,400	24,062	20,595
Other	45,000	65,013	34,316
Regional processing	550,800	692,084	906,406
Used tire management program	3,708,000	3,838,022	3,671,466
	38,298,687	41,216,652	38,347,105
Inventory, end of year	113,487	153,404	113,487
	<u>\$ 38,185,200</u>	<u>\$ 41,063,248</u>	<u>\$ 38,233,618</u>

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

Year ended March 31	Budget 2016	2016	2015
Amortization	\$ 247,200	\$ 235,448	\$ 243,140
Bad debt	6,000	12,876	4,810
Bank charges and interest	10,000	8,274	3,302
Board fees and expenses	65,000	57,231	65,883
Building expenses	187,500	131,638	159,898
Dues and fees	6,800	5,828	7,585
Insurance	5,000	5,078	4,977
Meetings and travel	80,000	46,712	48,424
Office expense	25,000	22,736	26,766
Postage and delivery	11,000	6,114	8,562
Printing and stationery	4,000	902	370
Professional development	40,000	16,271	32,963
Professional fees	195,000	137,925	179,242
Public relations	100,000	69,560	66,137
Salaries and benefits	1,052,500	1,044,241	1,067,742
Technology support and licensing	89,500	61,609	67,401
Telecommunications	32,000	26,066	28,581
Website development and hosting	40,000	8,535	-
	<u>\$ 2,196,500</u>	<u>\$ 1,897,044</u>	<u>\$ 2,015,783</u>

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Supplementary schedule of individual and combined
statements of operation

Year ended March 31, 2016

	Resource Recovery Fund <u>Board Inc.</u>	Resource Recovery <u>Fund</u>	<u>Combined</u>
Revenues			
Administrative ¹	\$ 43,555,349	\$ -	-
Deposits	-	41,020,897	41,020,897
Sales of recyclable materials	-	4,996,899	4,996,899
Tire program	-	4,145,889	4,145,889
Investment and other income	-	394,997	394,997
Rental income	-	182,000	182,000
Total revenues	<u>43,555,349</u>	<u>50,740,682</u>	<u>50,740,682</u>
Expenses			
Operating	40,727,302	335,946	41,063,248
Administrative ¹	1,648,721	43,803,672	1,897,044
Other expenditures and allocations			
Approved program grants	-	1,082,171	1,082,171
Education and awareness	1,179,326	212,448	1,391,774
Household hazardous waste program	-	112,000	112,000
Municipal enforcement program funding	-	707,500	707,500
Regional committees	-	328,628	328,628
Research, development and special projects	-	96,520	96,520
	<u>43,555,349</u>	<u>46,678,885</u>	<u>46,678,885</u>
Excess of revenues over expenses before allocations	-	4,061,797	4,061,797
Municipal solid waste diversion	-	2,843,258	2,843,258
Nova Scotia Environment	-	812,359	812,359
Excess of revenues over expenditures	\$ -	\$ 406,180	\$ 406,180

¹Administrative revenue and expenses of \$43,555,349 has been eliminated at consolidation.