

Recycling Congress of Ontario

Financial Statements

May 31, 2018

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November 8, 2019

Independent Auditors' Report

To the members of Recycling Congress of Ontario

We have audited the accompanying financial statements of Recycling Congress of Ontario, which comprise the balance sheet as at May 31, 2018 and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Roger Chaplin CPA, CA LPA MA [Oxon] Gail Bergman CPA, CA LPA B Comm

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Basis for qualified opinion

As discussed in Note 1, the organization's financing arrangements with respect to the payable of \$515,165 due to the Ministry of the Environment and Climate Change, together with the remaining deficit of \$235,147 indicates that a material uncertainty exists that may cast doubt on the organization's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

Recycling Congress of Ontario derives revenue from memberships, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Recycling Congress of Ontario and we were not able to determine whether any adjustments might be necessary to total revenues, excess of revenues over expenses for the year, assets and net assets.

Qualified opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined necessary had we been able to satisfy ourselves concerning the completeness of the items referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Recycling Congress of Ontario as at May 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

Recycling Congress of Ontario

Balance Sheet

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	Notes	May 31	
		2018	2017 (unaudited)
Assets			
Current			
Cash		\$ 5,719	\$ 7,475
Restricted funds	3	250,000	-
Accounts receivable		156,330	153,120
GST/HST receivable		30,626	16,538
Recoverable program costs	4	-	95,479
		<u>\$ 442,675</u>	<u>\$ 272,612</u>
Liabilities			
Current			
Bank indebtedness	5	\$ 82,164	\$ 122,725
Accounts payable and accrued liabilities		178,832	217,310
Due to the Ministry of the Environment and Climate Change	6	4,500	493,260
Government remittances payable		127,881	92,386
Deferred income	7	288,945	67,132
		<u>682,322</u>	<u>992,813</u>
Long term			
Due to the Ministry of the Environment and Climate Change	6	510,665	-
		<u>1,192,987</u>	<u>992,813</u>
Members' deficiency			
Net assets		<u>(750,312)</u>	<u>(720,201)</u>
		<u>\$ 442,675</u>	<u>\$ 272,612</u>
Going Concern	1		

See accompanying notes

**Approved on behalf of the Board of Directors
of the Recycling Congress of Ontario**

Peter Veiga, Chair

Kevin Bechard, Director



	Year ended May 31	
	2018	2017
		(unaudited)
Revenue		
Sponsorships and donations	\$ 365,004	\$ 484,825
Functions	26,905	26,750
Membership fees	68,829	77,047
Interest income	678	1
Fees	175,825	149,450
Sundry	74,613	55,168
	<u>711,854</u>	<u>793,241</u>
Expenses		
Membership	38,656	49,856
Administrative and policy	60,484	32,160
Service	5,808	4,893
Programs	637,017	568,240
	<u>741,965</u>	<u>655,149</u>
Excess of revenue over expenses (expenses over revenue) for the year	(30,111)	138,092
Net assets, beginning of year	<u>(720,201)</u>	<u>(858,293)</u>
Net assets, end of year	<u>\$ (750,312)</u>	<u>\$ (720,201)</u>

See accompanying notes

	Year ended May 31	
	2018	2017 (unaudited)
Net cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (30,111)	\$ 138,092
Changes in non-cash working capital items		
Accounts receivable	(3,210)	5,463
GST/HST receivable	(14,088)	11,788
Prepaid expenses and sundry assets	-	1,789
Deferred expenses	95,479	(46,498)
Accounts payable and accrued liabilities	(38,478)	(61,792)
Government remittances payable	35,495	(57,130)
Due to the Ministry of the Environment and Climate Change	21,905	(955)
Deferred income	221,813	4,477
	<u>288,805</u>	<u>(4,766)</u>
Financing		
Bank indebtedness	<u>(40,561)</u>	<u>(38,384)</u>
Net increase (decrease) in cash during year	248,244	(43,150)
Cash, beginning of year	<u>7,475</u>	<u>50,625</u>
Cash, end of year	<u>\$ 255,719</u>	<u>\$ 7,475</u>
Cash consists of:		
Cash	\$ 5,719	\$ 7,475
Restricted funds	<u>250,000</u>	<u>-</u>
	<u>\$ 255,719</u>	<u>\$ 7,475</u>

See accompanying notes

Recycling Congress of Ontario, which operates under the name of Recycling Council of Ontario, aims to inform and educate all members of society about the generation of waste, the avoidance of waste, the more efficient use of resources and the benefits and/or consequences of these activities.

Recycling Congress of Ontario, which received its Letters Patent as a corporation without share capital under the laws of the Province of Ontario on December 13, 1978, is a registered charity and is exempt from income tax under section 149(1)(f) of the Canadian Income Tax Act.

1. Going Concern

The accompanying financial statements have been prepared in conformity with Canadian accounting standards for not-for-profit organizations which contemplate continuation of the organization as a going concern. In the current year the organization was not profitable, and, as of May 31, 2018 the organization has significant liabilities in excess of assets and an accumulated deficit of \$750,312. The ability of the organization to continue as a going concern is dependent upon its ability to reach an acceptable agreement with the Ministry of the Environment and Climate Change (MOECC) (Note 6) and upon its ability to raise additional capital to settle the remaining deficit. These uncertainties cast significant doubt upon the organization's ability to continue as a going concern.

2. Summary of accounting policies

Basis of presentation

These financial statements have been prepared using the Canadian accounting standards for not-for-profit organizations.

Fund accounting

These financial statements are prepared on a restricted fund accounting basis:

General fund

The general fund accounts for the organizations general programming and administrative activities.

Operating reserve fund

The organization has determined that 50% of the salaries and administrative expenses included in the organization's budget for the following fiscal year should be established as an operating reserve fund. A transfer is made to or from this fund annually to reflect the amount required in the fund.

In light of the organization's current cash position and programme commitments, the Board has decided to defer providing for the operating reserve until economic conditions improve.

2. Summary of accounting policies (continued)

Capital assets

Capital assets are expensed as acquired. During the year \$nil (2017 - \$nil) has been expensed.

Revenue recognition

Government grants, sponsorships and membership fees received are taken into income in the year to which they relate. Amounts received that relate to future fiscal periods are recorded as deferred income or until the related costs are incurred.

Functions revenue, fees for services and other sundry income are recognized in revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations are taken into income on a cash collected basis. Donations in-kind are recorded where the fair market value of the donation is provided by the donor.

During the year, the organization received donations in kind of \$nil (2017 - \$nil).

Allocation of expenses

Administration expenses are allocated to projects based on management's estimate of time spent on such projects.

Recoverable program costs

Costs related to programmes under development are capitalized until the programmes are approved; upon approval, such costs are fully recoverable.

Volunteer support

These financial statements do not reflect the value of services contributed by volunteers due to the difficulty of determining their value.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, accounts receivable and GST/HST receivable. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and government remittances payable. The organization has not designated any financial liability to be measured at fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, deferred income, and the estimated useful life of capital assets. Actual results may differ from those estimates.

3. Restricted cash

Include in restricted cash one fund held in a GIC for exclusive use for the Food Pilot program. This restriction is required by the funding agreement.

4. Recoverable program costs

	Balance beginning of year	Amount expensed during the year	Balance end of year
Waste Reduction Week 2017	\$ 78,193	\$ 78,193	\$ -
NAN	17,286	17,286	-
	<u>\$ 95,479</u>	<u>\$ 95,479</u>	<u>\$ -</u>

5. Bank indebtedness

The organization has a demand credit facility with a credit limit of \$200,000 which is secured by a general security agreement. The balance is due on demand and bears interest at prime plus 4.0% per annum.

6. Due to the Ministry of the Environment and Climate Change

In 2012, the organization was provided with a grant from MOECC to operate the Municipal Hazardous and Special Waste Program - Phase 2. Subsequent to funding of this grant, in 2015, the MOECC unexpectedly cancelled the program. Upon cancellation, the MOECC partially reimbursed the organization in relation to plan development and implementation, and demanded repayment of the remaining grant funds.

In December 2018, the organization received a notice of assessment from the MOECC, stating they owe \$526,422, which included the original balance due plus interest accrued at 0.38333% per day. Further, in April 2019, the organization reached an agreement with MOECC to pay \$4,500 per month from April 2019 to May 2020 at which time they will discuss future payment terms.

In October 2019 the organization requested to renegotiate the terms of the amount due to the MOECC by the way of forgiveness, partial payment, in-kind services and interest relief. Whether these terms will be accepted are uncertain.

7. Deferred income

	Balance beginning of year	Amount received during the year	Recognized as revenue during the year	Balance end of year
Memberships	\$ 30,494	\$ 24,958	\$ 30,494	\$ 24,958
Take Back The Light	14,755	-	14,588	167
National Benchmarking Study	2,553	-	2,553	-
Knowledge Sharing Series	19,330	-	19,330	-
3R Certification	-	23,636	-	23,636
Food Waste Pilot	-	352,115	111,931	240,184
	<u>\$ 67,132</u>	<u>\$ 400,709</u>	<u>\$ 178,896</u>	<u>\$ 288,945</u>

8. Financial risks

Credit risk

Financial instruments that potentially subject the organization to concentrations of credit risk are accounts receivable. The organization ensures that all its customers are known to the organization and are credit worthy.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty meeting obligations associated with financial obligations. The organization manages this risk by reviewing budget and cash flow needs and by ensuring it has sufficient credit facilities available to meet current and long-term financial needs.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its demand loan as described in Note 4. Specifically, the organization is exposed due to changes in market rates of interest. The exposure to this risk fluctuates as the debt changes from year to year.

9. Reclassification of prior year presentation

Certain prior year amounts have been reclassified to provide comparison with current year presentation. This classification had no effect on the reported results of operation.