

Recycling Congress of Ontario

Financial Statements
(unaudited)

May 31, 2019

Recycling Congress of Ontario

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April 9, 2020

Independent Practitioners' Review Engagement Report

To the members of Recycling Congress of Ontario

We have reviewed the accompanying financial statements of Recycling Congress of Ontario that comprise the balance sheet at May 31, 2019, and the statements of operations, 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedure performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Recycling Congress of Ontario as at May 31, 2019, 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.

A handwritten signature in black ink that reads 'Chaplin & Co' followed by a period.

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

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

Recycling Congress of Ontario

Balance Sheet

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	Notes	May 31	
		2019 (unaudited)	2018
Assets			
Current			
Cash		\$ 75,207	\$ 5,719
Restricted funds		-	250,000
Accounts receivable		60,154	156,330
GST/HST receivable		76,479	30,626
Prepaid expenses and sundry assets		36,267	-
		<u>\$ 248,107</u>	<u>\$ 442,675</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 180,497	\$ 178,832
Government remittances payable		105,341	127,881
Current portion of bank loan	3	39,048	43,116
Due to the Ministry of the Environment, Conservation and Parks		-	4,500
Deferred income	4	96,117	288,945
		<u>421,003</u>	<u>643,274</u>
Long term			
Long term portion of bank loan	3	-	39,048
Due to the Ministry of the Environment, Conservation and Parks	5	525,626	510,665
		<u>946,629</u>	<u>1,192,987</u>
Members' deficiency			
Net assets		<u>(698,522)</u>	<u>(750,312)</u>
		<u>\$ 248,107</u>	<u>\$ 442,675</u>
Going Concern			
	1		

See accompanying notes

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

Peter Veiga, Chair

Jo-Anne St. Godard, Executive Director

Recycling Congress of Ontario

Statements of Revenue and Expenses and Changes in Net Assets

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	Year ended May 31	
	2019	2018
	(unaudited)	
Revenue		
Sponsorships and donations	\$ 443,929	\$ 365,004
Government Grant	576,797	-
Functions	-	26,905
Membership fees	74,985	68,829
Donations	3,557	-
Interest income	1,063	678
Fees	125,435	175,825
Sundry	209,585	74,613
	<u>1,435,351</u>	<u>711,854</u>
Expenses		
Membership	26,000	38,656
Administrative and policy	51,557	60,484
Service	-	5,808
Programs	1,306,004	637,017
	<u>1,383,561</u>	<u>741,965</u>
Excess of revenue over expenses (expenses over revenue) for the year	51,790	(30,111)
Net assets, beginning of year	<u>(750,312)</u>	<u>(720,201)</u>
Net assets, end of year	<u>\$ (698,522)</u>	<u>\$ (750,312)</u>

See accompanying notes

Recycling Congress of Ontario

Statement of Cash Flows

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	Year ended May 31	
	2019	2018
	(unaudited)	
Net cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 51,790	\$ (30,111)
Changes in non-cash working capital items		
Accounts receivable	113,407	(3,210)
GST/HST receivable	(45,853)	(14,088)
Prepaid expenses and sundry assets	(36,267)	-
Deferred expenses	(17,231)	95,479
Accounts payable and accrued liabilities	12,126	(16,573)
Government remittances payable	(22,540)	35,495
Deferred income	(192,828)	221,813
	<u>(137,396)</u>	<u>288,805</u>
Financing		
Bank indebtedness	<u>(43,116)</u>	<u>(40,561)</u>
Net increase (decrease) in cash during year	(180,512)	248,244
Cash, beginning of year	<u>255,719</u>	<u>7,475</u>
Cash, end of year	<u>\$ 75,207</u>	<u>\$ 255,719</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 profitable, however, as of May 31, 2019 the organization has significant liabilities in excess of assets and an accumulated deficit of \$698,522. 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, Conservation and Parks (MOECP) (Note 5) 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 (2018 - \$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 (2018 - \$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, 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.

5. Due to the Ministry of the Environment, Conservation and Parks(continued)

In October 2019, the organization again requested to resume discussion regarding the terms of its debt to the MOECP by the way of forgiveness, partial payment, in-kind services and interest relief. As of the date of approval of the May 31, 2019 financial statements by the Board of Directors on April 9, 2020, the organization had not yet received a response .

6. Subsequent event

In July 2019, the organization applied for interest relief from the Canadian Revenue Agency (CRA) relating to interest charged on outstanding payroll liabilities. In December 2019, CRA agreed to forgive \$21,845 in interest assessed for the period January 1, 2015 to December 31, 2017.

7. 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.

8. 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.

