

**Recycling Congress of Ontario,
operating as Circular Innovation
Council**

Financial Statements
(unaudited)

May 31, 2021

Recycling Congress of Ontario, operating as Circular Innovation Council

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November 29, 2021

Independent Practitioner's Review Engagement Report

To the members of Recycling Congress of Ontario, operating as Circular Innovation Council

We have reviewed the accompanying financial statements of Recycling Congress of Ontario, operating as Circular Innovation Council that comprise the statement of financial position as at May 31, 2021, and the statements of operations and changes in net asset deficiency 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.

Practitioner's 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.

Basis for Qualified Conclusion

We draw attention on Note 1 in the financial statements which indicates that the organization was profitable during the year ended May 31, 2021, however, as of that date, the organization's current liabilities exceeded its total assets by \$774,744. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the organization's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, 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, operating as Circular Innovation Council as at May 31, 2021, 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 blue 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, operating as Circular Innovation Council

Statement of Financial Position (unaudited)

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	Notes	May 31	
		2021	2020
Assets			
Current			
Cash		\$ 106,186	\$ 19,807
Accounts receivable		30,254	35,460
COVID-19 grant receivable		3,318	32,821
GST/HST receivable		45,394	28,119
Prepaid expenses		1,644	1,560
Recoverable program costs		4,911	109,051
		<u>\$ 191,707</u>	<u>\$ 226,818</u>
Liabilities			
Current			
Bank indebtedness		\$ -	\$ 4,474
Accounts payable and accrued liabilities		266,681	410,665
Due to the Ministry of the Environment, Conservation and Parks	4	548,057	535,802
Government remittances payable		43,737	47,560
Deferred income	3	82,976	44,200
		<u>941,451</u>	<u>1,042,701</u>
Long term			
CEBA loan	5	40,000	10,000
		<u>981,451</u>	<u>1,052,701</u>
Members' deficiency			
Net asset deficiency		<u>(789,744)</u>	<u>(825,883)</u>
		<u>\$ 191,707</u>	<u>\$ 226,818</u>

Going Concern (Note 1)

The accompanying notes are an integral part of the financial statements

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

Peter Veiga, Chair



Ryan Dyment, Treasurer

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Statement of Operations and Changes in Net Asset Deficiency (unaudited)

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	Year ended May 31	
	2021	2020
Revenue		
Sponsorships and donations	\$ 196,460	\$ 183,850
Government Grants	71,726	448,203
Functions	-	51,550
Membership fees	86,987	69,639
Canada Emergency Wage Subsidy	175,777	39,518
Fees	36,902	48,900
Registration	167	62,150
Project management	46,655	50,337
Sundry	21,889	23,880
	<u>636,563</u>	<u>978,027</u>
Expenses		
Membership	38,416	42,022
Administrative and policy	99,422	37,521
Programs	462,586	1,025,845
	<u>600,424</u>	<u>1,105,388</u>
Excess of revenue over expenses (expenses over revenue) for the year	36,139	(127,361)
Net asset deficiency, beginning of year	<u>(825,883)</u>	<u>(698,522)</u>
Net asset deficiency, end of year	<u>\$ (789,744)</u>	<u>\$ (825,883)</u>

See accompanying notes for an integral part of the financial statements

Recycling Congress of Ontario, operating as Circular Innovation Council

Statement of Cash Flows (unaudited)

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	Year ended May 31	
	2021	2020
Net cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 36,139	\$ (127,361)
Non cash items		
Forgiveness of CEBA loan	(20,000)	-
Changes in non-cash working capital items		
Accounts receivable	5,206	7,463
Canada Emergency Wage Subsidy receivable	29,503	(32,821)
GST/HST receivable	(17,275)	48,360
Prepaid expenses and sundry assets	(84)	34,707
Recoverable program costs	104,140	(91,820)
Accounts payable and accrued liabilities	(143,984)	230,168
Due to the Ministry of the Environment, Conservation and Parks	12,255	10,176
Government remittances payable	(3,823)	(57,781)
Deferred income	38,776	(51,917)
	<u>40,853</u>	<u>(30,826)</u>
Financing		
CEBA loan received	50,000	10,000
Repayment of bank loan	(4,474)	(34,574)
	<u>45,526</u>	<u>(24,574)</u>
Net increase (decrease) in cash during year	86,379	(55,400)
Cash, beginning of year	<u>19,807</u>	<u>75,207</u>
Cash, end of year	<u>\$ 106,186</u>	<u>\$ 19,807</u>

See accompanying notes for an integral part of the financial statements

Recycling Congress of Ontario, operating as Circular Innovation Council

Notes to the Financial Statements

May 31, 2021

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Recycling Congress of Ontario, which operates under the name of Circular Innovation Council, 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.

On March 25, 2021 the organization received a license to operate under the name of the Circular Innovation Council.

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 the organization has significant liabilities in excess of assets and an accumulated deficit of \$774,744. 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 4) 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. **Significant 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.

Capital assets

Capital assets are expensed as acquired. During the year \$nil (2020 - \$nil) has been expensed.

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2. Significant accounting policies (continued)

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 (2020 - \$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.

Measurement of 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 GST/HST receivable and Canada Emergency Wage Subsidy receivable. Financial liabilities measured at amortized cost include, accounts payable and accrued liabilities, government remittances payable and Due to the Ministry of the Environment Conservation and Parks. The organization has not designated any financial liability to be measured at fair value.

Financial assets measured at cost or amortized costs are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indication of impairment the organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset, and recognizes an impairment loss if the carrying value of the asset is greater than the higher of present value of the expected future cash flows, the amount that can be realized by selling the asset or the amount the organization expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement not exceeding the initial carrying 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.

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3. Deferred income

	Balance beginning of year	Amount received during the year	Recognized as revenue during the year	Balance end of year
CP Summit	\$ -	\$ 25,000	\$ 20,130	\$ 4,870
FoodWaste	-	122,500	71,726	50,774
Memberships	44,033	25,472	86,987	17,482
OWAT	-	9,850	-	9,850
Take Back The Light	167	-	167	-
	<u>\$ 44,200</u>	<u>\$ 182,822</u>	<u>\$ 179,010</u>	<u>\$ 82,976</u>

4. Due to the Ministry of the Environment, Conservation and Parks

In 2012, the MOECP awarded the organization a contract and associated grant funding to develop and operate the Municipal Hazardous and Special Waste Program - Phase 2. Subsequent to funding of this grant, in 2015, the MOECP unexpectedly cancelled the program. Upon cancellation, the MOECP partially reimbursed the organization's stranded costs related to plan development and implementation and demanded repayment of the remaining grant funds. The total contract value awarded was \$10.5 million. However, at the time of early cancellation only \$4.28 million of this had been disbursed to the organization.

In December 2018, the organization received a notice of assessment from the MOECP, stating the organization still owed \$526,422, which included the original balance owing plus interest accrued at 0.38333% per day.

RCO was invited and presented several proposals to MOECP to settle the debt that included a combination of cash and in-kind work. In April 2019, the organization reached an agreement with MOECP for the cash portion of the re-payment comprising monthly payments of \$4,500 for the period April 2019 to May 2020, at which time terms would be revisited. The MOECP agreed to consider the in-kind work portion of the organization's proposal. Since the time of that agreement the organization has paid \$18,750 of the debt however there has been no decision regarding in-kind work.

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, 2021 financial statements by the Board of Directors on November 29, 2021, the organization had not yet received a response.

5. Canada Emergency Business Account (CEBA) loan

The CEBA loan is an interest free loan provided by the Government of Canada through the organization's financial institution of up to \$60,000, provided the organization applying met the eligibility requirements.

During the year, the organization was eligible and received a CEBA loan of \$50,000 (2020 - \$10,000).

If the loan is repaid on or before December 31, 2022, the organization will be forgiven 25% of the loan on the first \$40,000 and 50% of the next \$20,000 up to a maximum total of \$20,000. Any unpaid balance will be converted to a 3 year loan with an interest rate of 5% per annum.

As at May 31, 2021, the organization had not made any repayments.

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6. 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.

7. Allocation of administrative expenses

Personnel, professional fees, office and general, and bank charges were allocated as follows:

	Personnel cost		Professional fee		Office and general		Bank charges	
	2021	2020	2021	2020	2021	2020	2021	2020
Membership	\$ 31,320	\$ 34,439	\$ 3,577	\$ 2,636	\$ 3,351	\$ 4,775	\$ 168	\$ 172
Administrative and policy Programs	56,759	22,436	12,196	6,645	17,915	8,006	12,552	434
	374,523	471,781	32,200	58,688	54,350	488,769	1,513	6,607
	<u>\$462,602</u>	<u>\$528,656</u>	<u>\$47,973</u>	<u>\$67,969</u>	<u>\$75,616</u>	<u>\$501,550</u>	<u>\$14,233</u>	<u>\$ 7,213</u>

8. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus, specifically identified as "COVID-19" as a pandemic which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The organization responded to the crisis by quickly pivoting and offering our alternative programs.

On April 11, 2020, the Canadian Federal government passed legislation for the Canada Emergency Wage Subsidy - "CEWS", a wage subsidy program for eligible Canadian employers whose business has been affected by COVID-19. As at the date of the audit report the organization received total funding of \$155,777 (2020 - \$39,518). In addition, the organization received a \$50,000 Canadian Emergency Business Account loan (CEBA) (2020 - \$10,000).