

Recycling Congress of Ontario,
operating as Circular Innovation
Council

Financial Statements

May 31, 2022

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November 24, 2022

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Recycling Congress of Ontario, operating as Circular Innovation Council, which comprise the statement of financial position as at May 31, 2022, and the statement of operations and changes in net asset deficiency, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Recycling Congress of Ontario, operating as Circular Innovation Council as at May 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Financial Statements section of our report. We are independent of the Recycling Congress of Ontario, operating as Circular Innovation Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

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

We draw attention to Note 1 in the financial statements which indicates in the current year the organization was not profitable and had significant liabilities in excess of assets and an accumulated deficit of that of \$794,457. 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 opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Recycling Congress of Ontario, operating as Circular Innovation Council's financial reporting process.

Roger Chaplin CPA, CA LPA MA (Oxon) Gail Bergman CPA, CA LPA B Comm

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

As part of an audit in accordance with Canadian 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 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 Recycling Congress of Ontario, operating as Circular Innovation Council '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 Recycling Congress of Ontario, operating as Circular Innovation Council '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 related disclosures in the 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 Recycling Congress of Ontario, operating as Circular Innovation Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Chaplin + Co. LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Ontario



Recycling Congress of Ontario, operating as Circular Innovation Council

Statement of Financial Position

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	Notes	2022	May 31 2021 (unaudited)
Assets			
Current			
Cash		\$ 74,832	\$ 106,186
Accounts receivable		16,108	30,254
COVID-19 grant receivable		-	3,318
GST/HST receivable		31,557	45,394
Prepaid expenses		5,753	1,644
Recoverable program costs		-	4,911
		<u>\$ 128,250</u>	<u>\$ 191,707</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	4	\$ 796,927	\$ 814,738
Government remittances payable		9,340	43,737
Deferred income	3	76,440	82,976
		<u>882,707</u>	<u>941,451</u>
Long term			
CEBA loan	5	40,000	40,000
		<u>922,707</u>	<u>981,451</u>
Members' deficiency			
Net asset deficiency		<u>(794,457)</u>	<u>(789,744)</u>
		<u>\$ 128,250</u>	<u>\$ 191,707</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:


Gilles Levasseur, Chair


Ryan Dymont, Treasurer

Recycling Congress of Ontario, operating as Circular Innovation Council

Statement of Operations and Changes in Net Asset Deficiency

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	Year ended May 31	
	2022	2021 (unaudited)
Revenue		
Sponsorships and donations	\$ 262,159	\$ 372,237
Government grants	185,171	71,726
Donations	35,081	-
Membership fees	83,157	86,987
Registration and fees	86,563	37,069
Project management	127,500	46,655
Sundry	8	21,889
	<u>779,639</u>	<u>636,563</u>
Expenses		
Advertising	12,369	14,262
Contract services	174,334	7,261
Interest and bank charges	16,780	17,260
Office and general	28,226	46,750
Professional fees	33,365	47,972
Remuneration and employee benefits	489,457	466,919
Subscriptions	29,821	-
	<u>784,352</u>	<u>600,424</u>
Excess of revenue over expenses (expenses over revenue) for the year	<u>(4,713)</u>	<u>36,139</u>
Net asset deficiency, beginning of year	<u>(789,744)</u>	<u>(825,883)</u>
Net asset deficiency, end of year	<u>\$ (794,457)</u>	<u>\$ (789,744)</u>

See accompanying notes for an integral part of the financial statements

	Year ended May 31	
	2022	2021 (unaudited)
Net cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (4,713)	\$ 36,139
Non cash items		
Forgiveness of CEBA loan	-	(20,000)
Changes in non-cash working capital items		
Accounts receivable	14,146	5,206
COVID-19 grant receivable	3,318	29,503
GST/HST receivable	13,837	(17,275)
Prepaid expenses and sundry assets	(4,109)	(84)
Deferred expenses	4,911	104,140
Accounts payable and accrued liabilities	(17,811)	(131,729)
Government remittances payable	(34,397)	(3,823)
Deferred income	(6,536)	38,776
	<u>(31,354)</u>	<u>40,853</u>
Financing		
Advancement of CEBA loan	-	50,000
Repayment of bank indebtedness	-	(4,474)
	<u>-</u>	<u>45,526</u>
Net increase (decrease) in cash during year	(31,354)	86,379
Cash, beginning of year	106,186	19,807
Cash, end of year	<u>\$ 74,832</u>	<u>\$ 106,186</u>

See accompanying notes for an integral part of the financial statements

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 not profitable and had significant liabilities in excess of assets and an accumulated deficit of \$794,457. The ability of the organization to continue as a going concern is dependent upon its ability to reach an acceptable agreement with the grantor (Note 4). 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 (2021 - \$nil) has been expensed.

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 \$8,738 (2021 - \$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 and government remittances payable. 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.

2. Significant accounting policies (continued)

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. Deferred income

	Balance beginning of year	Amount received during the year	Recognized as revenue during the year	Balance end of year
CP Summit	\$ 4,870	\$ 18,930	\$ 23,800	\$ -
Circular Retail	-	100,000	60,000	40,000
FoodWaste	50,774	219,538	270,312	-
Replay for School	-	35,000	32,000	3,000
Memberships	17,482	92,065	83,157	26,390
OWAT	9,850	37,920	40,720	7,050
	<u>\$ 82,976</u>	<u>\$ 503,453</u>	<u>\$ 509,989</u>	<u>\$ 76,440</u>

4. Contingency

In 2014 the organization was requested to repay a grant in the amount of \$493,360. The organization disputes the grantors right to recall the grant, however continue to include the amount plus interest in accounts payable. Subsequent to year end, the grantor issued a statement of claim for damages in the amount of \$493,360 plus interest. At the date these financial statements were prepared, the organization was not able to estimate the outcome of the pending litigation as a result continues to include in accounts payable and accrued liabilities in the amount of a \$560,514.

5. Canada Emergency Business Account (CEBA) loan

The Canada Emergency Business Account (CEBA) loan of \$60,000 payable to the Royal Bank of Canada, is non-interest bearing, with the balance due on December 31, 2022. On January 12, 2022, the federal government extended the repayment deadline to December 31, 2023.

If the loan is repaid on or before December 31, 2023, 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, 2022, the organization had not made any repayments.

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. 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 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 \$19,759 (2021 - \$155,777).

8. Comparative figures

Certain of the 2021 amounts have been reclassified in order to provide comparison with the current year.