

Recycling Congress of Ontario

Financial Statements

May 31, 2020

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Index

Independent Auditor's Report	1-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations and Changes in Net Asset Deficiency	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-10



March 22, 2021

Independent Auditor's Report

To the members of Recycling Congress of Ontario

Opinion

We have audited the financial statements of Recycling Congress of Ontario, which comprise the statement of financial position as at May 31, 2020, 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 Recycling Congress of Ontario as at May 31, 2020, 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 Recycling Congress of Ontario 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that the organization incurred a loss of \$127,361 during the year ended May 31, 2020 and, as of that date, the organizations current liabilities exceeded its total assets by \$825,883. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In other than the Material Uncertainty Related to Going Concern section, we have determined there are no other key matters to report.

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

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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 Recycling Congress of Ontario'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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Recycling Congress of Ontario's financial reporting process.

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 auditor's 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 generally accepted 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 Recycling Congress of Ontario'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 Recycling Congress of Ontario'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 Recycling Congress of Ontario to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in 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.

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

	Notes	May 31	
		2020	2019 (unaudited)
Assets			
Current			
Cash		\$ 19,807	\$ 75,207
Accounts receivable		35,460	42,923
COVID-19 grant receivable		32,821	-
GST/HST receivable		28,119	76,479
Prepaid expenses and sundry assets		1,560	36,267
Recoverable program costs		109,051	17,231
		<u>\$ 226,818</u>	<u>\$ 248,107</u>
Liabilities			
Current			
Bank indebtedness	3	\$ 4,474	\$ 39,048
Accounts payable and accrued liabilities		410,665	180,497
Due to the Ministry of the Environment, Conservation and Parks	5	535,802	-
Government remittances payable		47,560	105,341
Deferred income	4	44,200	96,117
		<u>1,042,701</u>	<u>421,003</u>
Long term			
CEBA loan	6	10,000	-
Due to the Ministry of the Environment, Conservation and Parks		-	525,626
		<u>1,052,701</u>	<u>946,629</u>
Members' deficiency			
Net asset		<u>(825,883)</u>	<u>(698,522)</u>
		<u>\$ 226,818</u>	<u>\$ 248,107</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 Dymont, Treasurer

	Year ended May 31	
	2020	2019 (unaudited)
Revenue		
Sponsorships and donations	\$ 183,850	\$ 447,486
Government Grant	448,203	576,797
Functions	51,550	-
Membership fees	69,639	74,985
Canada Emergency Wage Subsidy	39,518	-
Fees	48,900	125,435
Registration	62,150	117,090
Project management	50,337	85,995
Sundry	23,880	7,563
	<u>978,027</u>	<u>1,435,351</u>
Expenses		
Membership	42,022	26,000
Administrative and policy	37,521	51,557
Programs	1,025,845	1,306,004
	<u>1,105,388</u>	<u>1,383,561</u>
Excess of revenue over expenses (expenses over revenue) for the year	(127,361)	51,790
Net asset deficiency, beginning of year	<u>(698,522)</u>	<u>(750,312)</u>
Net asset deficiency, end of year	<u>\$ (825,883)</u>	<u>\$ (698,522)</u>

See accompanying notes for an integral part of the financial statements

	Year ended May 31	
	2020	2019 (unaudited)
Net cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (127,361)	\$ 51,790
Changes in non-cash working capital items		
Accounts receivable	7,463	113,407
Canada Emergency Wage Subsidy receivable	(32,821)	-
GST/HST receivable	48,360	(45,853)
Prepaid expenses and sundry assets	34,707	(36,267)
Recoverable program costs	(91,820)	(17,231)
Accounts payable and accrued liabilities	230,168	1,665
Due to the Ministry of the Environment, Conservation and Parks	10,176	10,461
Government remittances payable	(57,781)	(22,540)
Deferred income	(51,917)	(192,828)
	<u>(30,826)</u>	<u>(137,396)</u>
Financing		
CEBA loan received	10,000	-
Repayment of bank loan	(34,574)	(43,116)
	<u>(24,574)</u>	<u>(43,116)</u>
Net decrease in cash during year	(55,400)	(180,512)
Cash, beginning of year	75,207	255,719
Cash, end of year	<u>\$ 19,807</u>	<u>\$ 75,207</u>

See accompanying notes for an integral part of the financial statements

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, 2020 the organization had significant liabilities in excess of assets and an accumulated deficit of \$816,966. 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. 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 (2019 - \$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 (2019 - \$nil).

2. Significant accounting policies (continued)

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.

3. Bank loan

	2020	2019
Bank loan payable to Alterna bearing interest at prime plus 6.20% calculated monthly, payable in blended monthly principal and interest payments of \$4,000, due on March 31, 2020	\$ 4,474	\$ 39,048
less current portion	<u>(4,474)</u>	<u>(39,048)</u>
Long term portion	<u>\$ -</u>	<u>\$ -</u>

The minimum principal repayments during 2021 is \$4,474

4. Deferred income

	Balance beginning of year	Amount received during the year	Recognized as revenue during the year	Balance end of year
Memberships	\$ 9,148	\$ 104,524	\$ 69,639	\$ 44,033
10,000 Changes	46,952	401,251	448,203	-
CP Summit	39,850	-	39,850	-
Take Back The Light	167	-	-	167
	<u>\$ 96,117</u>	<u>\$ 505,775</u>	<u>\$ 557,692</u>	<u>\$ 44,200</u>

5. 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, 2020 financial statements by the Board of Directors on March 10, 2021, the organization had not yet received a response.

6. Canadian Emergency Business Account (CEBA)

The CEBA loan is an interest free loan provided by the Government of Canada through the organization's financial institution of up to \$40,000, provided the organization applying met the eligibility requirements. During the year, the organization was eligible and received a CEBA loan of \$10,000.

If the loan is repaid on or before December 31, 2022, the organization will be forgiven 25% of the loan up to a maximum of \$10,000. Any unpaid balance will be converted to a 3 year loan with an interest rate of 5% per annum.

As at May 31, 2020, the organization had not made any repayments.

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.

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 \$39,518. In addition, the organization received a \$10,000 Canadian Emergency Business Account loan (CEBA). Subsequent to year end the organization received a further CEBA loan of \$50,000.