

The background of the entire page is composed of numerous overlapping, wavy lines in various shades of green and teal. These lines create a sense of movement and depth, resembling a stylized, abstract landscape or perhaps a representation of data flow. The lines are most dense in the center and become sparser towards the edges.

pivot

DIVERT NS
2018 - 2019 ANNUAL REPORT

The logo for Divert NS features the word "divert" in a lowercase, sans-serif font. The letter "i" is stylized with a curved line above it that extends to the right. The letters "NS" are in a smaller, uppercase font to the right of "divert". Below the logo is the tagline "Nothing Wasted".

divert NS
Nothing Wasted



Divert NS helps drive the culture of recycling in Nova Scotia through environmental stewardship, education and program funding. We partner with government, industry, like-minded organizations and academia to develop and implement programs that encourage waste diversion. We believe Nova Scotia is a model for waste diversion and that Nova Scotians are ready to take on the challenge of evolving our culture of recycling into a culture of refusing to waste.

To work with Nova Scotians to improve our environment, economy and quality of life by reducing, re-using, recycling and recovering resources.

Who We Are

Mission



A Message from our CEO:

In many ways, this was a year of taking stock of recent achievements and focusing on the path ahead. In the past few years Divert NS has made significant strides that include investments in new technology, and a major rebranding that strengthens our position as a waste diversion leader. We continue to build on past wins, while developing future ones.

This year we began to pivot. We started a shift towards new priorities and programs — such as reducing waste before it gets to the recycling stage or landfill. Global issues around plastics and food waste require local solutions. That's why we launched a multi-year awareness campaign to change behaviour toward single-use plastics and food waste. There's clearly an appetite for change among Nova Scotians: the campaign response was overwhelmingly positive. Further, Divert NS funded several studies

this year that will help reduce or repurpose plastic products through innovative ideas.

We've also pivoted to take a stronger leadership role in stewardship and education, and deepen relationships with stakeholders and partners. In 2018-19 we sponsored a range of events — such as the Discovery Centre's Science Awards — that put Divert NS front and centre with key players from business, science and academia. As well, our ongoing Summit series continued to bring together stakeholders to explore new opportunities for waste diversion.

Other initiatives this year will also shape the future direction of Divert NS. For instance, we began a consultation with key stakeholders across the province to guide where we need to go in the next five years.

Divert NS' beverage container recycling system continues to be a mainstay of our

organization, and this year saw total revenues reach almost \$60 million. That uptick combined with other positive revenue streams made for a solid year financially. Plus, our new funding arrangement with municipalities — which 'smooths' funding credits over a three-year period — will help them plan and deliver their programs with more certainty and consistency.

Our tire collection program ran smoothly this year, with 950-plus retailers on board across the province and 1.07 million tires diverted from landfills. Tire-derived aggregate continued to be marketed for various engineering and infrastructure projects, and a one-year pilot project to use tire-derived fuel for cement production was approved by the Province.

Speaking of tires, in June 2018 we rolled out a province-wide Bicycle Tire Recycling Program. Nova Scotians can now bring their used, unwanted bicycle tires and tubes to any participating bicycle shop.

The voluntary program launched during Environment Week and Bike Week; and the recycling initiative is free for bicycle tire retailers and consumers — with program costs covered by Divert NS.

My thanks to our dedicated Divert NS employees who continue to bring fresh ideas and energy to delivering our waste diversions goals. I'd also like to thank our board of directors for their insights and counsel, solid governance — and an openness to pursuing new ideas, like our awareness campaign.

On behalf of the board of directors and the employees of Divert NS, I am pleased to present this annual report for the fiscal year ended March 31, 2019.



Jeff MacCallum
CEO, Divert NS



Innovation

Divert NS champions new ways of thinking about waste reduction and diversion—and we work with industry and academic institutions to turn ideas into viable solutions.

Pivot Point: Reduce and Rethink Plastic and Food Waste

From straws to bags to packaging, single-use plastic waste poses an increasing threat to our global commons and local ecosystems. This year Divert NS funded studies that could reduce food waste, and help turn the rising tide of plastics.

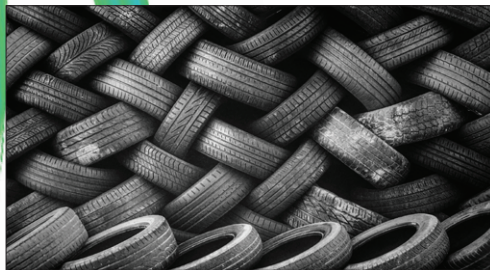
Divert NS provided \$47,000 to the Verschuren Centre to develop antimicrobial packaging by incorporating natural chitin into plastic films. Chitin is found in abundance in crustacean shell waste in Nova Scotia, much of which is currently sent to landfill or composting. The antimicrobial properties

of chitin-derived films will be tested initially in the packaging of mushrooms and dairy products, and it is expected to significantly increase the shelf life of these foods. Extended shelf life increases food safety, reduces waste and risk to consumers — and cuts down on disposal of packaging materials.

This year we also provided \$10,000 in research and development funding to Halifax Regional Municipality to explore cart-based collection systems, as opposed to single-use plastic bags, for garbage and recyclables in curbside programs.



Innovation



Picking Up Good Vibrations

Large-scale construction projects and industrial equipment create ground-borne vibrations that can disturb neighbours or cause damage to nearby buildings. The wave barriers used to reduce vibrations from large machinery, blasting and other construction activities are costly. That's where used tires come in. Tire-derived aggregate (TDA) could be an effective and economically viable solution to the vibration problem. This year Divert NS contributed \$35,000 to Dr. Hany El Naggar at Dalhousie University for a two-year project to study the dynamic properties of TDA and how it can reduce ground-borne vibrations in construction.



Compaction Trailers – We're Really Crushing It

Talk about reducing. Most plastic and aluminum beverage containers are collected from the Enviro-Depots via Divert NS' compaction trailers, and compressed right at the depots. It's an innovation that cuts down on transportation costs and greenhouse gases. In fact, this year the use of compaction trailers reduced greenhouse gas emissions by approximately 420 tonnes. With the addition of two compaction trailers this year, our expanded fleet of six trailers will create greater efficiency in collecting recyclables from depots and delivering them to market — often on the same day they're picked up.

Divert NS funded a \$17,000 student research grant to analyze how Nova Scotia and other provinces can harmonize their Extended Producer Responsibility (EPR) programs for packaging and printed paper. This Dalhousie University study could provide evidence to support industry playing a more active role in funding the diversion of "end-of-life" plastics and packaging in our province.



Stewardship

We have all worked hard to build a culture of recycling in Nova Scotia over the last 22 years — and we're proud of the standard Nova Scotians have set. Divert NS is committed to enhancing and growing this culture.

Pivot Point: Rolling Out a New Bicycle Tire Recycling Program



It's a brand new take on "recycling." This year Divert NS introduced a province-wide Bicycle Tire Recycling Program that will help divert tires from the waste stream. Nova Scotians can now bring their used, unwanted bicycle tires and tubes

to any of the 17 participating bicycle shops in the province.

The voluntary program launched in June during Environment Week and Bike Week at Hub Cycle in Truro. The Bicycle Tire Recycling Program allows Nova Scotians to recycle old bicycle tires—and Divert NS covers the cost of running the program. The recycling initiative is free for bicycle tire retailers and consumers, and applies to most bicycle tires and tubes.

Under the program, participating bicycle shops partner with a local automotive tire retailer, where they drop-off the bicycle tires and tubes they collect from the public. Divert NS collects the tires and tubes from the automotive tire retailer and stores them in a trailer at our Kemptown facility. Once the container is full, the tires will be shipped to Tire Recycling Atlantic Canada Corporation (TRACC) in Minto, New Brunswick. TRACC will recycle them into new, value-added moulded rubber products, like cow mats.

L-R: Nick Moryto, board member; Ben Buckwold, Bicycle NS; Jeff MacCallum, Divert NS CEO; Daisy Roberts and Bruce Roberts, Hub Cycle



Stewardship



Left: Jeff MacCallum, Divert NS CEO and Shelley Zinck, New Germany Enviro Center

Below: Jeff MacCallum, Divert NS CEO (second from left) with Nicholas Deveau, Peter and Dorothy Hadley, and Chantal Thibeault of Paper Chase Bottle Exchange



Celebrating Enviro-Depot™ Excellence

Nova Scotia's Enviro-Depots are pivotal to the success of our recycling programs. Each year the Enviro-Depot™ of the Year Awards recognize and celebrate the Enviro-Depots across Nova Scotia that go above and beyond in customer service and employee relations, engage and support their community, and participate in Divert NS depot initiatives. Recipients receive a plaque to display in their depot, gift certificates, promotion on social media and provincial recognition in newspaper ads.

Small Depot of the Year:
New Germany Enviro Center

Large Depot of the Year:
Paper Chase Bottle Exchange

Champions of the Environment

Each year, Divert NS awards \$20,000 in scholarships to Grade 12 students across the province who exemplify leadership and demonstrate commitment to protecting our environment. This year, students wrote essays on policies and programs that Nova Scotia could implement to reduce plastic film, shared the environmental activities they undertake in their school and/or community, and provided a letter of endorsement from a teacher or community member.

The 2018 Divert NS Champion of the Environment Scholarship winners were:

\$5,000 PROVINCIAL SCHOLARSHIP WINNER:

Maria MacDonald from Guysborough Academy (Antigonish, Pictou and Guysborough)

\$2,500 REGIONAL SCHOLARSHIP WINNERS:

- Courtney DeGiobbi from Breton Education Centre (Cape Breton)
- Josiane Gibson from Cobequid Education Centre (Colchester, Cumberland and East Hants)
- Travis Goswell from Sackville High (Halifax)
- Holly Morrison from Western Kings District High (Annapolis and Kings)
- Acadia Bunin from Avon View High (South Shore and West Hants)
- Jenna Clayton from Yarmouth Consolidated Memorial High (Digby and Yarmouth)

Waste Reduction Week — Food for Thought

For Waste Reduction Week 2018, Divert NS served up its *No Food Wasted* campaign — designed to help Nova Scotians cut down on food waste — in partnership with Sobeys and municipalities. Sobeys stores across the province displayed signage that encouraged shoppers to take steps to reduce their food waste. Regional waste educators staffed booths at 25 Sobeys stores and provided tips and educational materials such as shopping lists, food storage information and freezer labels. To further amplify our *No Food Wasted* message, Divert NS ran a social media and newspaper ad campaign that directed people to our website for more information and tips.

Deborah Searle, Colchester Waste Resource Management at Sobeys Truro.



Catalyst for Change

We are passionate believers in the power of change and believe in leading by example. We create relationships based on trust, and foster thinking about sustainability — provincially and nationally.

Pivot Point: Less is More — Increased Awareness Around Reducing

For over 20 years, Divert NS has built a strong culture of recycling in Nova Scotia. Our province has done such a good job at recycling we sometimes think that “putting waste in the right bag” is the best thing we can do for the environment. In fact, it’s just a start.

It’s time to pivot towards reducing waste, and rethink how we can consume less. We must change our behaviour to stop waste before it starts. Especially now, when disposal is increasing and end markets for recycled materials are shrinking at home and around the world.

Building awareness and changing behaviour are vital to reducing our waste. To help lead the charge, Divert NS launched a multi-year awareness campaign this year. Nova Scotians experienced

online digital and print ads, as well as TV ads and billboards, that encourage people to refuse waste before it starts — especially food waste and items like single-use cups and plastic lids. Nova Scotians are taking notice. The awareness campaign generated excellent response from audiences and drove viewers to seek more information from Divert NS on how to reduce waste.

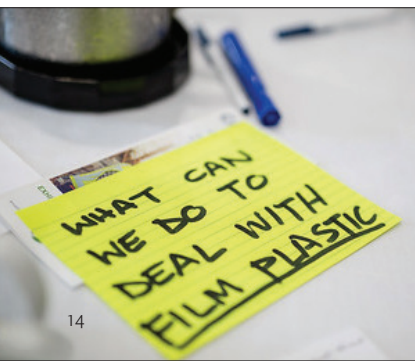


Food waste costs Canadian households \$1,100 a year.
(Source: National Zero Waste Council)

Catalyst For Change

Procuring Solutions

This year our ongoing Summit series continued to connect people to new opportunities and ideas in waste reduction and recycling. In September, Divert NS hosted the *Sustainable Procurement Summit: Waste as a Resource in Construction & Renovation*. The event brought together local companies that supply recycled products and services with businesses and agencies that buy them. Approximately 60 key stakeholders attended, including government procurement staff, local manufacturers of recycled products, construction companies and associations, municipal waste management representatives, and environmental organizations. The Summit offered attendees a prime opportunity to network and brainstorm how to increase the procurement of recycled products and services within Nova Scotia.



Reaching Out, Buying In

Divert NS' traditional stakeholders are the foundation of our success. As our focus widens on emerging issues like food waste and single-use plastics, so does the need to engage with new groups and enhance our profile. This year we sponsored prestigious events like the Discovery Centre's Awards for Science and Technology — that included over 600 attendees from science and academia. Divert NS also sponsored the energy-themed Bright Business Awards, and a Clean Ocean Summit focused on finding solutions to marine waste. These gatherings and sponsorships help bring our message and mission to a broader audience, and create valuable new relationships.



Mobius Awards — Staying in the Loop

For over two decades, Divert NS has celebrated the achievements of innovative Nova Scotians who are leaders in recycling and waste diversion. The annual Mobius Awards of Environmental Excellence bring together Nova Scotia's environmental champions from business, government, academia, and communities across the province. The 2018 Mobius Awards took place at Halifax's Seaport Farmers' Market in October. The event featured keynote speaker Joshua Becker whose minimalist lifestyle and writing have inspired millions around the world to find more life by owning fewer possessions.

Winners of the 20th Annual Mobius Awards

Small Business of the Year:

G-Man Waste Removal, Millbrook

Large Business of the Year:

IKEA Halifax

Community Project of the Year:

YACRO Social Enterprise, The Store Next Door, Yarmouth

Institution of the Year:

Department of National Defence, 14 Wing, Greenwood

Innovator of the Year:

Oberland Agriscience, Halifax

Emerging Environmental Leader:

Kate Pepler, Halifax

Hall of Fame:

Gert Sweeney, Cape Forchu



Shane and Leana Kennedy, G-Man Waste Removal

Counting on Success

Accomplishments in 2018-2019

Beverage Container Recycling Program

- Received deposits on **463 million** containers
- **384 million** containers returned for recycling
- Enviro-Depots achieved **0.3% variance** in their container counts



82.9% Return Rate



Reduced GHG emissions



80 drop-off locations



Used Tire Management Program

- **953 Registered** tire retailers/drop-off locations
- **1.3 Million passenger tires** returned for recycling

Bicycle Tire Recycling Program

17 registered bicycle shops/drop-off locations
1,200 tires & tubes returned for recycling



Counting on Success

continued

Funding Municipal Waste Initiatives

- **\$6.1 million** in diversion credits
- **\$1.05 million** for Municipal Approved Programs
- **\$700,000** for enforcement activities
- **\$635,000** to educate schools, businesses and residents
- **\$332,453** for regional chairs and coordinators to meet and facilitate waste activities
- **\$112,000** for household hazardous waste collection



\$9 million
in funding to
50 municipalities

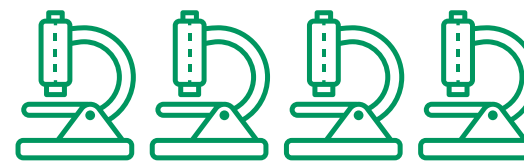
90,817
Nova Scotians



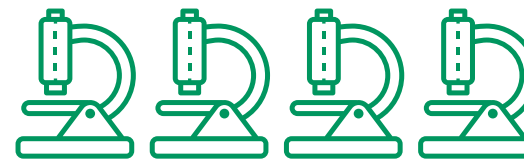
educated about waste



Municipal Enforcement in Action



8 innovation projects approved



947 downloads
of lesson plans for youth

\$20,000
in scholarships
to **7 students**



Divert NS funding helps municipalities divert* from landfill:

- **111,000 tonnes** of organic waste
- **46,000 tonnes** of recyclables
- **125,000 tonnes** of construction and demolition waste

*Latest figures from Nova Scotia Environment 2017-2018.

Awareness Results

- **61,582 visits** to divertns.ca
- **9,600 new visitors** to divertns.ca through the awareness campaign
- **1.2 million views** of awareness campaign videos

Innovation to divert waste from landfill

- **\$102,500** approved for four Research and Development Funding projects
- **\$54,000** approved for four Student Research Grants

Financial Statements



Grant Thornton

TO THE BOARD OF DIRECTORS OF THE RESOURCE RECOVERY FUND BOARD INC. AND RESOURCE RECOVERY FUND (OPERATING AS DIVERT NS)

Opinion

We have audited the accompanying combined financial statements of the **Resource Recovery Fund Board Inc. and Resource Recovery Fund (operating as Divert NS)** (“**Resource Recovery Fund**”), which comprise the combined statement of financial position as at **March 31, 2019**, the combined statements of operations, changes in net resources, changes in net financial resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying combined financial statements present fairly in all material respects,

the financial position of **Resource Recovery Fund Board Inc. and Resource Recovery Fund (operating as Divert NS)** as at **March 31, 2019**, and its results of operations, its changes in its net resources, and changes in net financial resources and cash flows for the year then ended in accordance with **Canadian public sector accounting standards**.

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 Combined Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the combined 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.

Other matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule included on Page 15 is presented for purposes of additional information and is not a required part of the combined financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the combined financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial

statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Financial Statements

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 Entity'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 Entity'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 the related disclosures in the combined 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined 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.

Grant Thornton LLP

Truro, Canada

May 30, 2019

Chartered Professional Accountants

Licensed Public Accountants

Combined Statement of Operations

Year ended March 31

	Budget 2019 (unaudited)	2019	2018
REVENUES			
Deposits	\$ 44,878,000	\$ 45,284,263	\$ 44,286,888
Sales of recyclable materials (Note 10)	5,758,000	7,192,599	6,389,824
Tire program	6,631,000	6,474,787	5,694,352
Investment and other income	628,000	729,016	690,414
Rental income	182,000	184,810	182,000
Total revenues	58,077,000	59,865,475	57,243,478
EXPENSES			
Operating	45,222,000	45,436,706	43,198,017
Administrative	1,981,000	1,839,045	2,019,603
Other expenditures and funding:			
Approved program grants	1,200,000	1,061,835	1,125,000
Education and communication	1,713,000	1,525,621	1,296,992
Household hazardous waste program	112,000	112,000	112,000
Municipal enforcement program funding	700,000	700,000	693,789
Regional chairs and coordinators	335,000	332,453	332,664
Research, development and special projects	250,000	103,272	130,976
Waste audit development	-	-	103,290
	51,513,000	51,110,932	49,012,331
Excess of revenues over expenses before allocations	6,564,000	8,754,543	8,231,147
Municipal solid waste diversion credits	4,594,800	6,128,180	5,761,803
Nova Scotia Environment	1,312,800	1,750,909	1,646,229
Excess of revenue over expenditures	656,400	875,454	823,115
Net resources, beginning of period	8,358,694	8,358,694	7,535,579
Net resources, end of period (Note 11)	\$ 9,015,094	\$ 9,234,148	\$ 8,358,694


See accompanying notes to the combined financial statements.

Combined Statement of Financial Position

March 31

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 14,328,816	\$ 12,832,325
Receivables	6,218,970	6,369,954
Accrued receivables	730,582	389,579
Notes receivable (Note 3)	121,486	140,455
Investments (Note 4)	16,001,739	16,003,299
Inventory	82,803	92,183
	37,484,396	35,827,795
FINANCIAL LIABILITIES		
Payables and accruals	2,098,406	1,995,352
Municipal solid waste diversion credits payable	7,487,251	5,761,805
Payable to Nova Scotia Environment	1,751,291	2,961,412
Unearned revenue	20,888,500	20,686,300
	32,225,448	31,404,869
NET FINANCIAL RESOURCES	5,258,948	4,422,926
NON-FINANCIAL ASSETS		
Prepays	8,591	43,924
Tangible capital assets (Note 5)	3,966,609	3,891,844
	3,975,200	3,935,768
NET RESOURCES (NOTE 9)	\$ 9,234,148	\$ 8,358,694

On behalf of the Board:



Director



Director

Commitment (Note 7)

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Net Financial Resources

March 31

	Budget 2019 (unaudited)	2019	2018
Excess of revenue over expenditures	\$ 656,400	\$ 875,454	\$ 823,115
Purchase of tangible capital assets	(536,500)	(835,255)	(420,993)
Amortization of tangible capital assets	772,653	757,998	697,921
Proceeds on disposal of tangible capital assets	-	2,492	-
Loss on disposal of tangible capital assets	-	-	21,845
	236,153	(74,765)	298,773
Usage (acquisition) of prepaids	35,333	35,333	(6,567)
Increase in net financial resources	\$ 927,886	\$ 836,022	\$ 1,115,321
Net financial resources, beginning of year		\$ 4,422,926	\$ 3,307,605
Increase in financial resources		836,022	1,115,321
Net financial resources, end of year		\$ 5,258,948	\$ 4,422,926

See accompanying notes to the combined financial statements.

Combined Statement of Cash Flows

Year Ended March 31

See accompanying notes to the combined financial statements.

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
OPERATING		
Excess of revenue over expenditures	\$ 875,454	\$ 823,115
Amortization	757,998	697,921
Loss on disposal of tangible capital assets	-	21,845
	1,633,452	1,542,881
Change in non-cash operating working capital		
Receivables	(190,019)	(1,089,241)
Inventory	9,380	182,860
Prepaids	35,333	(6,567)
Payables and accruals	618,379	3,361,506
Unearned revenue	202,200	1,094,055
	2,308,725	5,085,494
CAPITAL		
Proceeds on disposal of tangible capital assets	2,492	-
Purchase of tangible capital assets	(835,255)	(420,993)
	(832,763)	(420,993)
INVESTING		
Proceeds from sale of investments	-	3,800,000
Purchase of investments	-	(4,000,000)
Interest in joint venture	1,560	(3,274)
Issue of notes receivable	(16,720)	-
Repayment of notes receivable	35,689	37,249
	20,529	(166,025)
Net increase in cash and cash equivalents	1,496,491	4,498,476
Cash and cash equivalents, beginning of year	12,832,325	8,333,849
Cash and cash equivalents, end of year	\$ 14,328,816	\$ 12,832,325

Notes to the Combined Financial Statements

March 31, 2019



1. Nature of operations

The Resource Recovery Fund Board Inc., operating as Divert NS ("Resource Recovery Fund"), is a not-for-profit organization established by the Nova Scotia government to develop and administer industry stewardship programs that increase waste diversion; enable the establishment of new industries based on the processing of materials diverted from the waste stream; and work in partnership with Nova Scotians to improve the province's environment, economy and quality of life by reducing, reusing, recycling and recovering resources.

Under regulation, all revenues earned are deposited to the Resource Recovery Fund, which is the property of the Province of Nova Scotia. All expenditures incurred by the Resource Recovery Fund Board Inc. to operate, administer and fulfil the mandates of the Province of Nova Scotia Solid Waste Management Strategy are expenditures

of the Resource Recovery Fund. Accordingly, all assets, liabilities and net resources reported in these financial statements are the property of the Resource Recovery Fund and are held on behalf of the Province of Nova Scotia by the Resource Recovery Fund Board Inc.

2. Summary of significant accounting policies

Basis of presentation

The combined financial statements include the accounts of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund. Significant inter-entity loans and transactions have been eliminated in these combined financial statements. These combined financial statements are the representations of management prepared in accordance with generally accepted accounting principles for provincial governments as established by the Canadian Public Sector Accounting Board (PSA) of Chartered Professional Accountants (CPA) Canada.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting

principles requires the Resource Recovery Fund's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Certain of these estimates require subjective or complex judgements by management that may be uncertain. Some of these items include allowance for doubtful accounts, amortization and unearned revenue. Actual results could differ from those reported.

Revenue recognition

Resource Recovery Fund follows the deferral method of accounting for revenue. Revenue is recognized in the month it is receivable (or received) if the amount can be reasonably estimated and collection is reasonably assured. Interest income is recognized as it is earned.

Tangible capital assets

Tangible capital assets are recorded at cost. Rates and bases of amortization applied to write-off the cost of tangible capital assets over their estimated lives are as follows:

Building	5%, straight-line
Paving	8%, straight-line
Field equipment	20%, straight-line
Processing equipment	12.5%, 20%, 33 1/3%, straight-line
Leasehold improvements	10%, straight-line
Office and warehouse equipment	20%, straight-line
Computer hardware and software	20%, 33 1/3%, straight-line
Containers	
• Bags	33 1/3%, straight-line
• Tubs	10%, straight-line
Vehicles	33 1/3%, straight-line
Trailers	14.2%, straight-line

When conditions indicate that a tangible capital asset no longer contributes to the Resource Recovery Fund's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

Notes to the Combined Financial Statements (continued)

March 31, 2019

Inventory

Inventory is valued at the lower of cost and net realizable value.

Forgivable loans

The Resource Recovery Fund accounts for forgivable loans as conditional grants. The forgivable loans are non-interest bearing and are advanced with repayment not to be expected unless certain conditions are not met.

Unearned revenue and measurement uncertainty

Unearned revenue represents deposits received for beverage containers that have not been returned for redemption and fees received for tires which will be returned for disposal at a future date. Unearned beverage revenue is sixty (60) days' worth of revenue calculated on the last twelve (12) months' average

daily revenue adjusted by the current year's return rate. Unearned tire revenue is calculated on the last three (3) years of tire revenue adjusted by the past six (6) years' average return rate. The actual revenue the Resource Recovery Fund may collect compared to the unearned revenue calculation is uncertain as the calculation is affected by the above management assumptions. However, in the past, the unearned revenue has remained consistent even with updated inputs for the calculation for each fiscal year. As a result, it is expected that the range of uncertainty for the unearned revenue is not significant.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Foreign currency translation

The Resource Recovery Fund does not enter into foreign currency futures and forward contracts to reduce its exposure to foreign currency fluctuations. Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Revenue and expenditures

denominated in foreign currencies are translated at the exchange rate prevailing at the time of the transaction. Translation gains or losses are recognized in the period in which they occur.

Financial instruments

The Resource Recovery Fund classifies its financial instruments at amortized cost.

This category includes cash and cash equivalents, receivables, notes receivable, investments, payables and accruals and municipal solid waste diversion credits payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assesses each financial instrument to determine whether there is any impairment losses, if any are reported in the statement of operations.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore, the statement of remeasurement gains and losses has not been presented.

Income taxes

The Resource Recovery Fund is exempt from income taxes under Section 149(l)(d) of the Canadian Income Tax Act.

Joint venture

The Resource Recovery Fund is part of a joint venture in the Canadian Association of Tire Recycling Agencies (CATRA). This investment is recognized using the modified equity method.

3. Notes receivable

	2019	2018
Non-interest bearing notes with variable payments, maturing between 2020 and 2029	\$ 121,486	\$ 140,455

Notes to the Combined Financial Statements (continued)

March 31, 2019

4. Investments

Investments consist of the following:

- i) Loans receivable from the Province of Nova Scotia – Department of Finance. These loans are issued at interest rates ranging from 1.37% to 2.3% and mature as follows:

	2020	2021	2022	2019 Total	2018 Total
	\$ 2,000,000	\$ 4,000,000	\$ 10,000,025	\$ 16,000,025	\$ 16,000,025
ii) Joint venture with Canadian Association of Tire Recycling Agencies (CATRA)				1,714	3,274
Total investments				\$ 16,001,739	\$ 16,003,299

5. Tangible capital assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	\$ 294,100	\$ -	\$ 294,100	\$ 294,100
Field equipment	94,620	53,511	41,109	56,793
Processing equipment	462,060	311,808	150,252	203,427
Building	3,255,478	1,355,366	1,900,112	1,931,213
Paving	272,945	29,114	243,831	265,667
Office and warehouse equipment	310,068	229,067	81,001	117,546
Containers	1,095,511	889,877	205,634	191,956
Leasehold improvements	9,508	4,183	5,325	6,276
Computer hardware and software	577,508	544,067	33,441	135,984
Vehicles	52,157	44,641	7,516	15,712
Trailers	2,237,738	1,233,450	1,004,288	673,170
	\$ 8,661,693	\$ 4,695,084	\$ 3,966,609	\$ 3,891,844

6. Bank indebtedness

The Resource Recovery Fund has an operating credit facility of \$2,000,000 of which nil is used at March 31, 2019 (2018 – \$ nil). Interest is calculated at prime plus 0.5%.

\$399,004 (2018 - \$337,611) of the restricted for approved programs resources has been committed under these agreements.

7. Commitment

The Resource Recovery Fund has entered into agreements with specific organizations and businesses to provide funding for various recycling programs across Nova Scotia. At March 31, 2019,

8. Related party transaction

The Resource Recovery Fund reimburses Nova Scotia Environment for services and expenses incurred on the Resource Recovery Fund's behalf. During the year, a reimbursement expense of \$1,750,909 (2018 - \$1,646,229) was recorded. The total liability at the end of 2019 is \$1,751,291 (2018 - \$2,961,412).

Notes to the Combined Financial Statements (continued)

March 31, 2018

9. Net resources

	Invested in Capital Assets	Restricted	Unrestricted	2019 Total	2018 Total
Balance, beginning of year	\$ 3,891,844	\$ 2,417,684	\$ 2,049,166	\$ 8,358,694	\$ 7,535,579
(Deficiency) excess of revenues over expenditures	(757,998)	(115,108)	1,748,560	875,454	823,115
Transfers	832,763	(523,500)	(309,263)	-	-
Balance, end of year	\$ 3,966,609	\$ 1,779,076	\$ 3,488,463	\$ 9,234,148	\$ 8,358,694

Restricted funds represented by:

Committed funds (Note 7)	\$ 399,004
Future projects	1,380,072
	<u>\$ 1,779,076</u>

Net resources under the Resource Recovery Fund restricted for future projects, represents funds committed to approved programs and funds internally restricted for funding various future projects as approved and in accordance with the goals and objectives of the Resource Recovery Fund (Divert NS).

10. Financial instruments risk management

Credit risk

Credit risk is the risk of financial loss to the Resource Recovery Fund if a debtor fails to make payments when due. The Fund is exposed to this risk relating to its receivables and notes receivable.

Credit risk is mitigated by management's review of aging and collection of receivables, only 1.5% of receivables are over 60 days. The Fund recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable.

The Resource Recovery Fund is exposed to investment credit risk through its investments. The maximum exposure to investment credit risk is outlined in Note 4. There have been no significant changes from the previous year in exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Resource Recovery Fund will encounter difficulty in meeting the obligations associated with its financial liabilities. The Resource Recovery Fund is exposed to this risk mainly in respect of its payables and accruals and municipal solid

waste diversion credits payable. At balance date, the Resource Recovery Fund has available financial assets to meet these obligations and there was no significant change in exposure from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Resource Recovery Fund is mainly exposed to currency and price risk related to its sales of recyclable materials. The currency risk is predominately US funds. The average US exchange rate was \$1.312 for the twelve month period. As at March 31, 2019 the receivables denominated in US currency were approximately \$864,377 (2018 - \$894,475). The price risk is related to fluctuations in commodities. During the year commodity prices for PET and aluminium fluctuated by approximately 11%. This fluctuation could result in an increase or decrease of sales by approximately \$866,000. The Resource Recovery Fund participates in a national buying group on certain of its commodity sales to minimize the risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Notes to the Combined Financial Statements (continued)

March 31, 2019

11. Excess Net Resources

As stipulated in the agreement with Nova Scotia Environment (NSE), the Board shall endeavour to limit its unrestricted net resources to 5% of gross revenues during any particular fiscal year. In the current year, unrestricted net resources exceeded 5% of gross revenues by \$495,189. In the event that unrestricted net resources exceeds 5% of gross revenues by \$100,000 or more, the Board shall recommend to the Minister a proposed distribution of the excess.

12. Subsequent event

On April 11, 2019, \$4,000,000 was invested in principal protected notes which will mature in fiscal 2025.

13. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

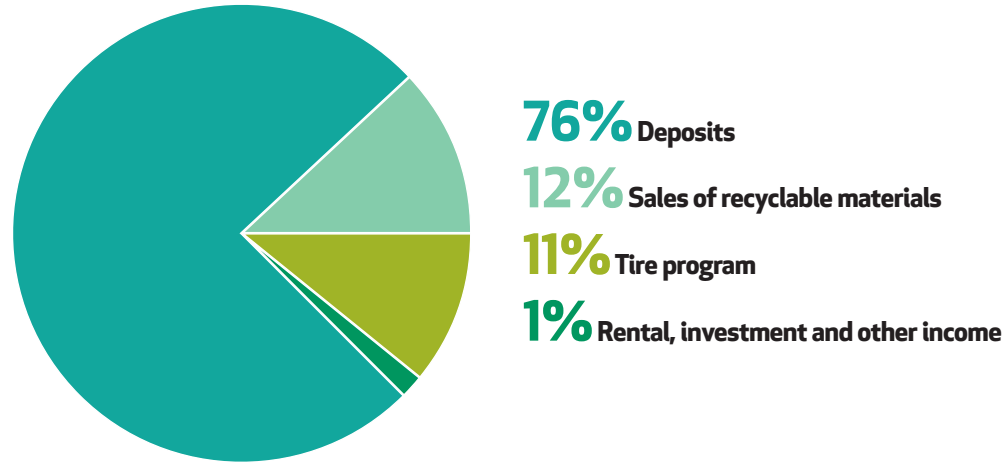
Supplementary Schedule of Individual and Combined Statements of Operation

Year Ended March 31, 2019

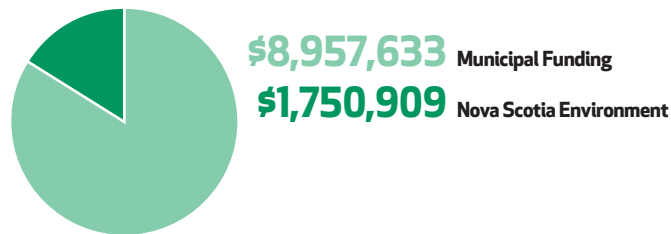
	Resource Recovery Fund Board Inc.	Resource Recovery Fund	Combined
REVENUES			
Administrative ¹	\$ 47,956,446	\$ -	\$ -
Deposits	-	45,284,263	45,284,263
Sales of recyclable materials	-	7,192,599	7,192,599
Tire program	-	6,474,787	6,474,787
Investment and other income	-	729,016	729,016
Rental income	-	184,810	184,810
Total revenues	47,956,446	59,865,475	59,865,475
EXPENSES			
Operating	44,907,483	529,223	45,436,706
Administrative	11,598,342	48,197,149	1,839,045
Other expenditures and funding			
Approved program grants	-	1,061,835	1,061,835
Education and communication	1,450,621	75,000	1,525,621
Household hazardous waste program	-	112,000	112,000
Municipal enforcement program funding	-	700,000	700,000
Regional chairs and coordinators	-	332,453	332,453
Research, development and special projects	-	103,272	103,272
	47,956,446	51,110,932	51,110,932
Excess of revenues over expenses before allocations	-	8,754,543	8,754,543
Municipal solid waste diversion credits Nova Scotia Environment	-	6,128,180	6,128,180
	-	1,750,909	1,750,909
Excess of revenue over expenditures	\$ -	\$ 875,454	\$ 875,454

¹Administrative revenue and expenses of \$47,956,446 have been eliminated at consolidation.

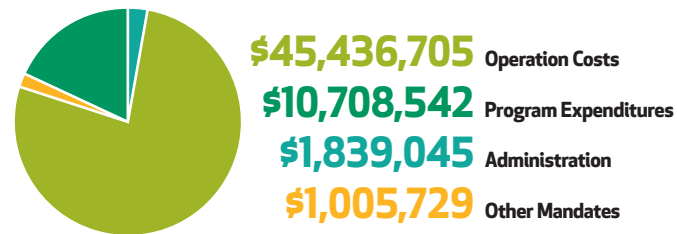
Divert NS Revenue



Program Expenditures Detail



Total Operational & Program Expenditures



Board of Directors



Ken Meech – Board Chair

Ken Meech has an MPA from the University of Western Ontario and an extensive background in public administration, having served in senior positions in the municipal and provincial sectors. Ken has the distinction of being the first Chief Administrative Officer for Halifax Regional Municipality, thereby leading the amalgamation process to achieve the combined HRM. Ken's connection to municipal government is comprehensive. He served as CAO for rural and urban municipalities, from small to the largest in the province; and served on both the provincial and national municipal associations, including as president of the Association of Municipal Administrators and the Canadian Association of Municipal Administrators. He served as Executive Director of the Nova Scotia School Boards Association and was CEO for the Strait Regional School Board for three years, assuming responsibility for finances and support service. Ken was also an ADM in the Health department at the provincial level, and a member and chair of the Halifax Water Commission. Ken is proud to have been a co-champion of the solid waste strategy for HRM that commenced in Halifax County and finalized by HRM.



Marc Britney – Board Vice Chair

Marc Britney graduated from Dalhousie University in 1987 with a Bachelor of Arts and earned his Certified Financial Planner designation in 1998. He was a financial planner and branch manager with SISIP Financial Services from 2001 until his retirement in 2017. Marc was first elected to the Council of the Town of Middleton in 1993 and served almost 20 years, during which time he was active on various boards and committees for the town. Marc was appointed to the Municipal Finance Corporation (MFC) Board of Directors on the recommendation of the Union of Nova Scotia Municipalities in 2010, serving six years on the MFC board and was chair of the MFC audit committee. In 2019, Marc was appointed to the Divert NS Board of Directors as board member and vice chair.



Leland Anthony
Warden, Municipality
of the District of Yarmouth

Leland Anthony was born in Yarmouth, NS and has lived his entire life in the small

rural community of Chebogue. He and his wife have three sons. They are fortunate to have all three boys and their families still working in their area. Before running for municipal council, Leland served on several committees and boards, including Director and Past President of the Western Nova Scotia Exhibition, and Director on the boards of the YRBC, YCEA, Community Futures, and the Yarmouth branch of the Cystic Fibrosis Foundation. Leland was elected councillor for the Municipality of Yarmouth in 1995, and served four years as Warden. He is the Chair of Region 7 Waste Check, and has sat on Regional Chairs for the last nine years, serving as Vice Chair for three years, and Chair for the last two years.



Marcus Goodick
President, EnviroCulture
Consulting Ltd.

Marcus Goodick is Founder, President, and Solutions Finder at EnviroCulture

Consulting, a company that helps businesses improve their management of end-of-life materials and implement comprehensive environmental programs. Prior to this current role he was the Senior Manager, Environment and Sustainability at Bell Aliant for eight years where he worked collaboratively to integrate more sustainable business practices. He also worked for five years with Halifax Regional Municipality's Solid Waste Resources Department helping businesses implement recycling and organics programs. Marcus holds a Masters in Resource and Environmental Studies (2002) from Dalhousie University and was named a member of Canada's 2013 Clean 50, honouring outstanding contributors to sustainable development and clean capitalism in Canada.



Craig Lake
Geotechnical Engineering
Professor,
Dalhousie University

Craig Lake is a professor and past

Department Head in the Department of Civil and Resource Engineering at Dalhousie University. He has been interested in solid waste management issues for the past 20 years through research and consulting. His research in landfill and geoenvironmental engineering resulted in past awards from Engineers Nova Scotia (2006 Young Engineer Award), Canadian Geotechnical Society (2011 Colloquium Winner) and The Canadian Society of Civil Engineering (Thomas C. Keefer Medal). Prior to joining Dalhousie, he was a geotechnical consultant with Jacques Whitford and Associates. Craig is a member of Engineers Nova Scotia and has a Bachelors of Civil Engineering from Dalhousie (TUNS) and a PhD from the University of Western Ontario.



Pam MacInnis
Councillor,
Municipality of East Hants

Pam MacInnis was first elected to council in 2008 and is the UNSM representative on the Divert NS board. Pam has lived in Shubenacadie for more than 30 years, and recently retired from the post office where she was employed for 27 years. She has been a community volunteer on boards, running youth activities and coaching, amongst others. When working for National Sea Products in the 1980s, she began the first paper recycling program. Fostering the sustainable use of resources and caring for the environment have always been passions for her. She and her husband enjoy living in rural Nova Scotia.



Scott MacLean
Quality Assurance Manager,
Michelin North America
(Canada) Inc.

Scott MacLean is the Quality Assurance Manager for the Michelin Tire Manufacturing Facility in Waterville, Nova Scotia. Joining Michelin North America (Canada) Inc. in 1987, Scott has held a broad range of roles across production, maintenance, personnel and quality in four different manufacturing facilities during his career.



Phil Mooney
Deputy Mayor,
Town of Yarmouth

Phil Mooney spent most his life working in his family's small business on Main Street, Yarmouth. Over the years, he has volunteered countless hours in his community, supporting dozens of local charities and non-profit groups. Phil was elected Mayor of Yarmouth in 2008. He has since served as Town Councillor starting in 2012. As Mayor, he helped spearhead a comprehensive downtown revitalization plan released in 2010. Successes of the plan include a historic mural program, Main Street building façade program, and the start of a popular local Farmer's Market in a refurbished heritage warehouse on Hawthorne Street. While on Yarmouth Town Council, Phil has been active on his local Waste Check board, and has served on the Waste Check board policy committee. He also served as board member of the Yarmouth County Solid Waste Park and on the South West Nova UNESCO Biosphere Committee, among others.



Bill Morash, CPA, CA
Chief Executive Officer,
Farnell Packaging Limited

Bill Morash is the Chief Executive Officer at Farnell Packaging Limited, an environmentally responsible manufacturer of flexible packaging materials in Dartmouth, NS. His input and commitment to the strategic management team has contributed to Farnell Packaging being recognized as a leader in the flexible packaging industry, as well as having award winning environmental and sustainable manufacturing best practices and systems. Prior to joining Farnell Packaging in 1997, he was a Senior Manager at Grant Thornton LLP. Bill is a member of the Chartered Professional Accountants of Nova Scotia and has a Bachelors of Commerce degree from Saint Mary's University.



Nick Moryto
Consultant

Over the past 30 years, Nick Moryto has held senior marketing and sales roles with the world's largest beverage companies, including Pepsi-Cola, Coca-Cola, and ABInbev, the world's largest brewer. His involvement with beverage container recycling dates back to the first beverage container recycling company in Atlantic Canada, EnCorp New Brunswick, where he was a board member. Nick has also served as Chairman of the Canadian Soft Drink Association of Atlantic Canada. He holds a degree in Economics from the University of Toronto and a management development diploma from Penn State University. Nick was appointed to the Divert NS Board of Directors in June 2014.



Laurel Schut
Co-Director of FOUND
Forgotten Food and Instructor/
Curriculum Development
Coordinator at Dalhousie

University's College of Sustainability

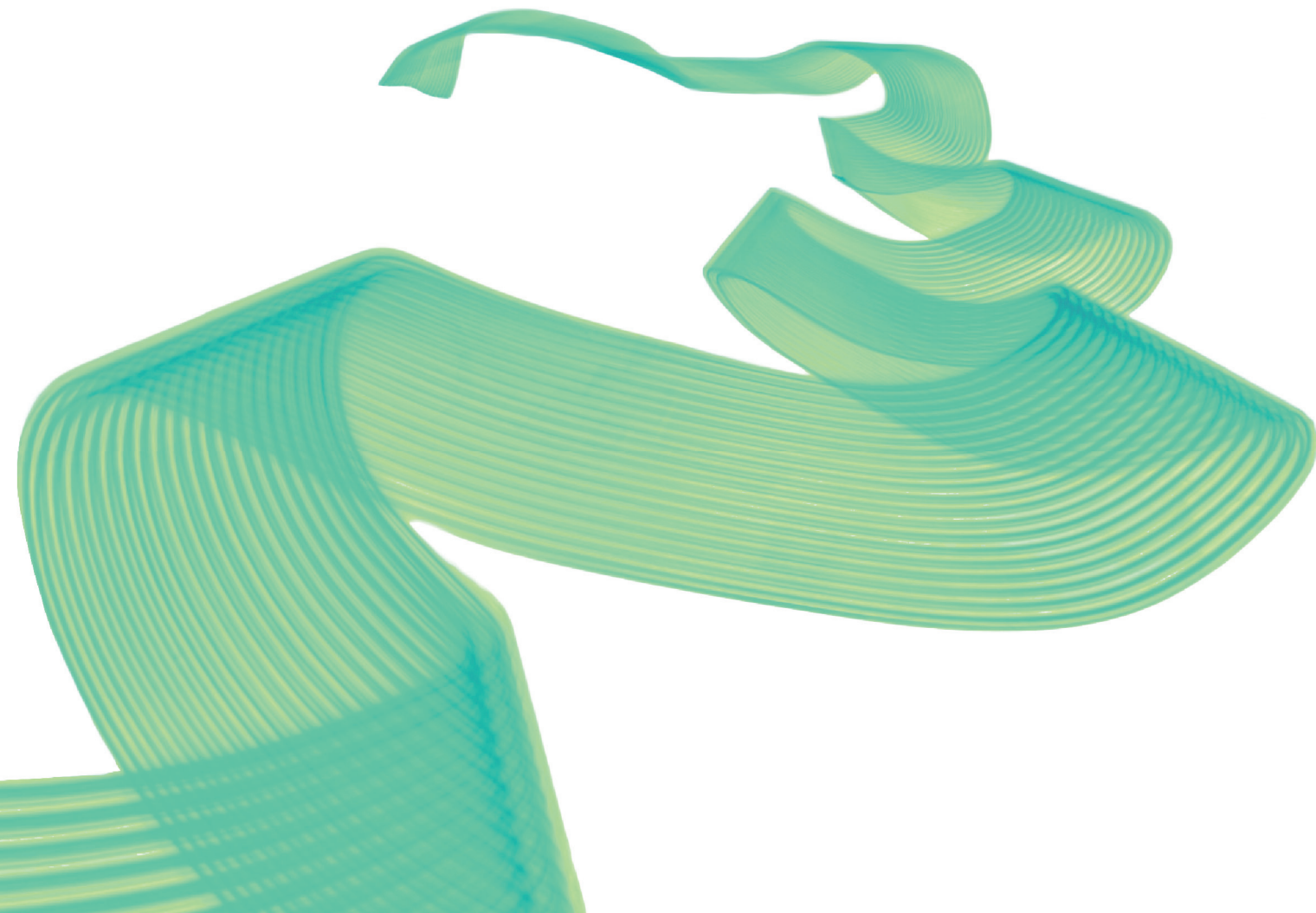
Laurel Schut's interdisciplinary background and work experience focuses on sustainable community development, food systems and food security, and holistic education. Since 2007, Laurel has conducted environmental sustainability research and led communication strategies with a variety of non-governmental organizations, co-operatives, and academic institutions. A passionate educator, Laurel has taught and designed undergraduate classes and tutorials at Dalhousie University's Department of Biology, Department of Environmental Science, and College of Sustainability. Laurel is currently employed at Dalhousie University's College of Sustainability and is the Co-Director of FOUND Forgotten Food, a volunteer-driven community initiative aimed at reducing food waste in Nova Scotia. Laurel holds a Bachelor of Social Science in International Development, a Masters of Environmental Studies, and is currently completing Dalhousie's Faculty Certificate in Teaching & Learning.



Tom Taggart
Councillor,
Municipality of Colchester

Tom Taggart is a lifetime resident of Bass River and is employed as a realtor.

As an active member of Council, Tom serves as Chair of the Planning Advisory Committee and is a member of the Executive and Audit Committee. He also Chairs the Northern Region's Waste Management Board, representing his region on the Regional Chairs Committee, and is a member of the Solid Waste-Resources Priorities Group. On a national level, Tom sits on the Board of the Federation of Canadian Municipalities. He is Vice Chair of the Standing Committee on Social Economic Development, a member of the Standing Committee on Community Safety and Crime Prevention, a member of the Rural Forum and Conference Planning Committee, and a member of the joint Community Stakeholder Committee.





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Divert NS is the registered business name of the
Resource Recovery Fund Board, Inc.

