

Consolidated Financial Statements of

**MULTI-MATERIALS
STEWARDSHIP BOARD**

Year ended March 31, 2016

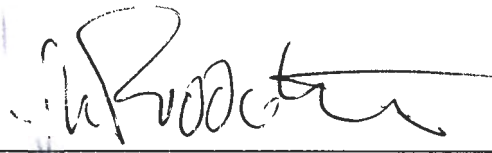
Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Multi-Material Stewardship Board (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Directors met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

KPMG LLP as the Board's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.



Board Chair



Director



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INDEPENDENT AUDITORS' REPORT

To the Directors of Multi-Materials Stewardship Board

We have audited the accompanying consolidated financial statements of Multi-Materials Stewardship Board, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Multi-Materials Stewardship Board as at March 31, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The financial statements of Multi-Material Stewardship Board as at and for the year ended March 31, 2015 were audited by another auditor who expressed a unqualified opinion on those statements.

Chartered Professional Accountants

June 17, 2016

St. John's, Canada

MULTI-MATERIALS STEWARDSHIP BOARD

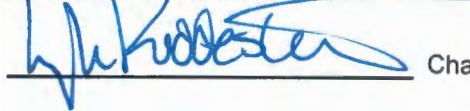
Consolidated Statement of Financial Position

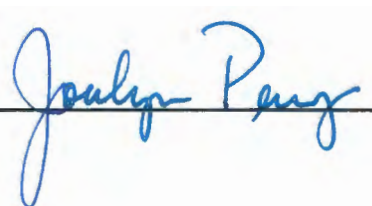
March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents (note 4)	\$ 14,197,820	\$ 14,181,436
Accounts receivable	530,510	724,063
Other receivables (note 5)	2,691,197	2,389,111
HST receivable	249,044	138,954
Notes receivable at amortized cost of non-interest bearing notes, repayable over the next four years, utilizing an interest rate of prime plus 1%	39,620	49,029
Inventory for resale	79,347	68,466
Long-term investments	425,622	377,410
	<u>18,213,160</u>	<u>17,928,469</u>
Liabilities:		
Accounts payable	\$ 544,534	\$ 923,625
Other payables and accrued liabilities (note 7)	1,717,439	2,098,041
Grants payable	875,040	710,599
Unearned revenue (note 8)	2,554,326	2,654,703
Performance bonds payable	428,775	422,544
	<u>6,120,114</u>	<u>6,809,512</u>
Net financial assets	12,093,046	11,118,957
Non financial assets:		
Tangible capital assets (schedule 3)	875,259	1,034,959
Prepaid expenses	89,494	78,705
	<u>964,753</u>	<u>1,113,664</u>
Commitments (note 11)		
Subsequent event (note 13)		
Accumulated surplus	\$ 13,057,799	\$ 12,232,621

See accompanying notes to consolidated financial statements.

On behalf of the Board:


 _____ Chairperson


 _____ Director

MULTI-MATERIALS STEWARDSHIP BOARD

Consolidated Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016 Actual	2016 Budget	2015 Actual
Revenue:			
Used beverage program deposits	\$ 22,498,134	\$ 23,124,624	\$ 22,387,101
Used beverage container by-product revenue	2,095,197	2,553,280	2,517,814
Used tire program deposits	2,915,547	2,734,360	2,836,378
Waste Management Trust Fund Program	10,435	-	-
Provincial Solid Waste Management Strategy	251,755	-	362,287
Interest income	104,679	107,500	135,817
Handling fees	94,037	147,299	211,410
Miscellaneous income	69,930	90,000	41,178
	28,039,714	28,757,063	28,491,985
Expenses:			
Used beverage container program	20,931,268	21,514,186	20,526,231
Used tire program	2,376,513	2,194,562	2,267,819
Administrative expenses (schedule 1)	2,235,472	2,676,639	2,436,342
Public education expenses (schedule 2)	862,184	1,080,000	673,386
Grant disbursements	485,994	2,705,000	767,708
Provincial Solid Waste Management Strategy	251,755	-	362,287
Program operations	70,906	195,000	-
Other recycling programs	444	90,000	10,570
	27,214,536	30,455,387	27,044,343
Annual surplus (deficit)	\$ 825,178	\$ (1,698,324)	\$ 1,447,642

See accompanying notes to consolidated financial statements.

MULTI-MATERIALS STEWARDSHIP BOARD

Consolidated Statement of Changes in Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	Actual 2016	Budget 2016	Actual 2015
Accumulated surplus, beginning of year	\$ 12,232,621	\$ 12,232,621	\$ 10,784,979
Annual surplus (deficit)	825,178	(1,698,324)	1,447,642
Accumulated surplus, end of year	\$ 13,057,799	\$ 10,534,297	\$ 12,232,621

See accompanying notes to consolidated financial statements.

MULTI-MATERIALS STEWARDSHIP BOARD

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	Actual 2016	Budget 2016	Actual 2015
Annual surplus (deficit)	\$ 825,178	\$ (1,698,324)	\$ 1,447,642
Acquisition of tangible capital assets	(55,839)	(449,000)	(249,535)
Amortization of tangible capital assets	215,539	284,736	222,291
Increase in prepaid expenses	(10,789)	(758)	(12,783)
Increase (decrease) in net assets	974,089	(1,863,346)	1,407,615
Net financial assets, beginning of year	11,118,957	11,050,491	9,711,342
Net financial assets, end of year	\$ 12,093,046	\$ 9,187,145	\$ 11,118,957

See accompanying notes to consolidated financial statements.

MULTI-MATERIALS STEWARDSHIP BOARD

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 825,178	\$ 1,447,642
Items not involving cash:		
Amortization	215,539	222,291
	<u>1,040,717</u>	<u>1,669,933</u>
Changes in non-cash operating working capital:		
Decrease in accounts receivable	193,553	181,077
Increase in other receivables	(302,086)	(148,931)
Increase in HST receivable	(110,090)	(9,543)
Decrease (increase) in notes receivable	9,409	(8,071)
Increase in prepaid expenses	(10,789)	(12,783)
Increase in inventory for resale	(10,881)	6,587
Decrease in accounts payable	(379,091)	(76,587)
Decrease in other payables and accrued liabilities	(380,602)	(254,454)
Increase (decrease) in grants payable	164,441	(42,210)
Decrease in unearned revenue	(100,377)	(221,951)
Increase (decrease) in performance bonds payable	6,231	(211,450)
	<u>120,435</u>	<u>871,617</u>
Capital:		
Tangible capital asset purchases	(55,839)	(249,535)
Investing:		
(Increase) decrease in long-term investments	(48,212)	253,362
	<u>16,384</u>	<u>875,444</u>
Increase in cash and cash equivalents	16,384	875,444
Cash and cash equivalents, beginning of year	14,181,436	13,305,992
Cash and cash equivalents, end of year	<u>\$ 14,197,820</u>	<u>\$ 14,181,436</u>

See accompanying notes to consolidated financial statements.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements

Year ended March 31, 2016

Multi-Materials Stewardship Board (the "Board") is a statutory corporation established pursuant to The Environmental Protection Act. The Board manages the Used Beverage Container Recycling Program, the Used Tire Management Program and the Newfoundland and Labrador Waste Management Trust Fund in the Province of Newfoundland and Labrador and is mandated to support and promote the protection, enhancement and wise use of the environment through waste management programs. The Board is a government organization and reports to the Minister of Environment and Conservation. The Board is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

1. Financial statements:

These consolidated financial statements include the accounts of the Multi-Materials Stewardship Board and the Newfoundland and Labrador Waste Management Trust Fund.

The Multi-Materials Stewardship Board Newfoundland and Labrador Waste Management Trust Fund is a restricted fund, managed by the Board, and its accounts have been grouped in these financial statements for consolidation purposes. Separate audited consolidated financial statements have been issued for this Trust Fund, with an audit report date of June 14, 2016.

2. Significant accounting policies:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the CPA, Canadian Public Sector Accounting Board (PSAB) and reflect the following significant accounting policies.

(a) Use of estimates:

In preparing the Board's consolidated financial statements in conformity with the Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the accrual for deposits outstanding at year end, useful life of tangible capital assets, rates of amortization and impairment of long-lived assets, accrued stockpile costs, unearned revenue and accrued severance pay.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(b) Foreign currency translation:

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the year end date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Cash and cash equivalents also include a balance of \$3,154 and \$425,195 (2015 - \$5,948 and \$697,922) in restricted cash related to the performance bonds payable and funds received for the Provincial Waste Management Strategy respectively.

(d) Long-term investments:

Long-term investments include guaranteed investment certificates with original maturities greater than one year. At March 31, 2016, \$425,622 (2015 - \$377,410) of these investments are restricted to repay performance bonds at the end of the contracts if all conditions have been met by the parties involved.

(e) Inventories for sale:

Inventories, which are comprised of aluminium beverage containers and PET beverage containers, are valued at the lower of cost and net realizable value, with net realizable value being current market prices.

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(g) Tangible capital assets:

Tangible capital assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Used beverage equipment	Declining balance	30%
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight line	5 years
Computer Hardware	Declining balance	30%
Computer software	Declining balance	30%
CRM software and development	Declining balance	10%
Infrastructure assets	Straight line	20 years
MIS software	Declining balance	30%
Bags and tubs	Declining balance	30%
Infrastructure assets	Straight line	20 years

(h) Impairment of long-lived assets:

When a tangible capital asset no longer has any long-term service potential to the Board, the excess of its net carrying amount over any residual is recognized as an expense in the Statement of Operations.

(i) Unearned revenue:

Unearned revenue consists of deposits on containers yet to be returned for redemption and recycling. The amount recorded by the Board as unearned revenue consists of sixty days of deposits received from distributors, adjusted by an estimated recovery rate of 65% (2015 - 63%).

Unearned revenue also includes funds received in relation to the Provincial Waste Management Strategy related to expenditures for strategic communications development, the Green Depot Management Information System (MIS) related to customization, installation, training, licences and support for the system, and restricted grant contributions. The funding is recognized as revenue as the expenditures are incurred and repayable if not fully spent on the projects.

(j) Accrued severance pay:

Severance pay is accounted for on an accrual basis and is recognized when an employee joins the Board, and is calculated based upon years of service, current salary levels and assumptions with respect to retention. Severance pay is payable when the employee ceases employment with the Board and has achieved nine years of continual service.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(k) Revenue recognition:

Deposit revenue (both beverage and tire) is recognized when remittances are collected plus an estimated accrual based on subsequent receipts, as well as historical data.

By-product revenue is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Other income is recognized as earned.

(l) Expenses:

The Board recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the period is expensed. Grant disbursements to third parties are accounted for as government transfers. Grant disbursements that are financing arrangements are recorded as expenses when they are approved by the Minister. Grant disbursements that are reimbursement arrangements are recorded as expenses when the expenditures have been incurred by the recipient and the eligibility criteria have been met.

(m) Financial instruments:

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments: cash and cash equivalents, receivables, notes receivable, long term investments, payables and accruals, grants payable and performance bonds payable.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual deficit.

Financial assets measured at fair value include cash and cash equivalents and long-term investments; financial assets measured at cost include receivables; and financial assets measured at amortized cost include notes receivable.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(m) Financial instruments (continued):

Financial liabilities measured at cost include payables and accruals, grants payable and performance bonds payable.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

3. Future adoption of accounting policies:

Related Party Disclosures

The Board is currently in the process of gathering information for the adoption of PS 2200 - Related Party Disclosures, which is applicable to year-ends beginning on or after April 1, 2017. This new standard defines a related party and establishes disclosures required for related party transactions.

Inter-entity Transactions

The Board is currently in the process of gathering information for the adoption of PS 3420 - Inter-entity transactions, which is applicable to year-ends beginning on or after April 1, 2017. This new standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

It is not anticipated that any material changes will result from the adoptions of these standards.

4. Cash and cash equivalents:

	2016	2015
Cash and cash equivalents	\$ 13,769,471	\$ 13,477,566
Restricted cash deposits	428,349	703,870
	<u>\$ 14,197,820</u>	<u>\$ 14,181,436</u>

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

5. Other receivables:

	2016	2015
Accrued accounts receivable	\$ 1,283,501	\$ 613,697
Subsequent trade accounts receivable	1,380,935	1,755,087
Other accounts receivable	54,572	60,708
Allowance for doubtful accounts	(27,811)	(40,381)
	\$ 2,691,197	\$ 2,389,111

6. Inventory for resale:

	2016	2015
Aluminium beverage containers	\$ 62,540	\$ 48,539
PET beverage containers	16,807	19,927
	\$ 79,347	\$ 68,466

7. Other payables and accrued liabilities:

	2016	2015
Accrued liabilities	\$ 721,148	\$ 435,123
Tire stockpile accrual	262,009	879,130
Wages and benefits	319,057	274,526
MIS deferred handling fee	415,225	509,262
	\$ 1,717,439	\$ 2,098,041

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

8. Unearned revenue:

	2016	2015
Provincial Solid Waste Management Strategy	\$ 402,649	\$ 650,340
Used beverage container deposits	2,117,112	1,959,363
Grant contributions	34,565	45,000
	<u>\$ 2,554,326</u>	<u>\$ 2,654,703</u>

9. Stockpile costs:

In June 2004, the Board terminated its contract under the Used Tire Program with its previous contractor. Subsequent to this termination, the Board assumed responsibility for the Program and implemented a contingency plan for the storage of used tires. As of April 2010, growth of the stockpile was halted with ongoing generation of tires being shipped to Quebec. In February 2012, a contract commenced for the removal of the stockpile. As at March 31, 2016, management has estimated future stockpile removal costs to be \$262,009 (2015 - \$879,130), which has been accrued in the stockpile costs.

10. Employee future benefits:

The Board participates in the Government of Newfoundland and Labrador's Government Money Purchase Plan (GMPP) which is a defined contribution pension plan. The plan is mandatory for all employees, with the exception of the CEO, from date of employment. Employees contribute 5% of regular earnings and the Board matches these contributions. Contributions made prior to January 1, 1997 are fully vested and locked-in after the completion of 10 years of continuous service and the employee has attained the age of 45 or after the completion of 5 years of plan participation. Contributions made on or after January 1, 1997 are fully vested and locked-in after the completion of 2 years of plan participation. Contributions paid and expensed by the Board during the year totaled \$62,471 (2015 - \$56,540).

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

11. Commitments:

The Board is committed to minimum annual lease payments for property, equipment and service agreements for the next four years as follows: 2017 - \$243,518; 2018 - \$71,527; 2019 - \$69,572; and 2020 - \$10,110.

The Board is also committed to funding the following Waste Management Trust Fund projects for the next two years as follows: 2017 - \$4,979,917; and 2018 - \$150,000.

The Board has entered into the following agreements:

- (i) processing and transportation of beverage containers up to July, 2019;
- (ii) collection of used tires in Labrador West area to April, 2020;
- (iii) collection and transportation of used tires in the island portion of Newfoundland and Labrador and the Labrador Straits to February, 2018;
- (iv) collection of used tires in Happy Valley-Goose Bay area to February, 2020;
- (v) transportation of used tires collected in Labrador to May, 2020; and
- (vi) loading and transportation of stockpile tires to date of completion.

12. Financial risks:

(a) Market risk:

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Board is mainly exposed to currency risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Board is exposed to other price risk through its sale of by-products.

MULTI-MATERIALS STEWARDSHIP BOARD

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

12. Financial risks: (continued):

(b) Credit risk:

Credit risk is the risk of loss if a customer or counterparty cannot meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The Board's credit risk is attributable to receivables. The accounts receivable represent a large number of small balances owed by its customers, and no one customer or group of customers represents a significant risk. Management reviews receivables on a case by case basis to determine if an allowance is necessary to reflect impairment in collectability.

(c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low.

There is no liquidity risk associated with the bonds payable as they are held in guaranteed investment certificates with a stated interest rate.

13. Subsequent event:

Subsequent to the year end, the Board approved a request made by the Government of Newfoundland and Labrador for a \$1,000,000 grant to be used in the support of environmental initiatives as identified and authorized by the Minister of Environment and Conservation.

14. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.