

Financial Statements of

**Saskatchewan Association
Of Rehabilitation Centres**

March 31, 2023

Independent Auditor's Report

To the Board of Directors of
Saskatchewan Association of Rehabilitation Centres

Opinion

We have audited the financial statements of the Saskatchewan Association of Rehabilitation Centres (the "Organization"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations of the Saskatchewan Association of Rehabilitation Centres (excluding SARCAN Recycling Division), and the SARCAN Recycling Division – Legislated and Non-legislated, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Saskatoon, Saskatchewan
May 27, 2023

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
STATEMENT OF OPERATIONS
(Excluding SARCAN Recycling Division)
year ended March 31, 2023

| | 2023 | 2022 |
|--|---------------------|---------------------|
| REVENUE | | |
| Government grants | \$ 2,104,709 | \$ 2,103,160 |
| Other (Note 13) | 609,732 | 493,553 |
| Investment gain (loss) | 35,475 | (26,091) |
| Loss on disposal of capital assets | (6,861) | - |
| | <u>2,743,055</u> | <u>2,570,622</u> |
| EXPENSES | | |
| Member services | 2,318,832 | 2,164,292 |
| Administration | 428,747 | 369,463 |
| Amortization | 183,147 | 183,014 |
| | <u>2,930,726</u> | <u>2,716,769</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES | <u>\$ (187,671)</u> | <u>\$ (146,147)</u> |

The accompanying notes are an integral part of the financial statements

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
STATEMENT OF OPERATIONS
SARCAN RECYCLING DIVISION - LEGISLATED
year ended March 31, 2023

| | 2023 | 2022 |
|--|---------------------|---------------------|
| REVENUE | | |
| Contract revenue (Note 10) | \$ 35,535,868 | \$ 35,073,490 |
| Salvage materials | 13,544,369 | 14,404,784 |
| Interest and investment income | 512,855 | 653,474 |
| Ancillary non-legislated materials | 435,246 | 567,918 |
| Amortization of capital asset funding | 303,570 | 236,381 |
| Other | 143,106 | 481,778 |
| Grant revenue | 133,616 | 25,179 |
| Gain on disposal of capital assets | 1,883 | 6,884 |
| | <u>50,610,513</u> | <u>51,449,888</u> |
| EXPENSES | | |
| Collection (Note 13) | 29,747,065 | 29,556,926 |
| Processing | 4,687,074 | 4,348,876 |
| Administration - Schedule 1 | 2,697,694 | 2,405,903 |
| Transportation | 2,558,981 | 2,195,052 |
| Amortization | 2,196,523 | 2,115,581 |
| Consumer awareness & education | 649,507 | 585,856 |
| Ancillary non-legislated materials | 444,257 | 546,946 |
| Digital Literacy Project | 133,616 | 25,179 |
| | <u>43,114,717</u> | <u>41,780,319</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$ 7,495,796</u> | <u>\$ 9,669,569</u> |

The accompanying notes are an integral part of the financial statements

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
STATEMENT OF OPERATIONS
SARCAN RECYCLING DIVISION - NON-LEGISLATED
year ended March 31, 2023

| | 2023 | 2022 |
|--|-------------------|------------------|
| REVENUE | | |
| Contract revenue | \$ 1,147,391 | \$ 983,934 |
| | <u>1,147,391</u> | <u>983,934</u> |
| EXPENSES | | |
| Collection | 553,783 | 476,021 |
| Transportation | 231,293 | 158,292 |
| Administration - Schedule 1 | 121,871 | 129,093 |
| Processing | 107,897 | 99,289 |
| Amortization | 28,076 | 29,685 |
| | <u>1,042,920</u> | <u>892,380</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$ 104,471</u> | <u>\$ 91,554</u> |

The accompanying notes are an integral part of the financial statements

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
COMBINED STATEMENT OF CHANGES IN NET ASSETS
year ended March 31, 2023

| | Unrestricted Net Assets SARC | Unrestricted Legislated Net Assets SARCAN | Unrestricted Non-legislated Net Assets SARCAN | Total Unrestricted Net Assets | Designated Net Assets | Invested in Capital Assets | 2023 Total | 2022 Total |
|--|------------------------------------|--|--|-------------------------------------|--------------------------|----------------------------------|----------------------|----------------------|
| NET ASSETS, BEGINNING OF YEAR | \$ 4,626,259 | \$ 20,747,858 | \$ - | \$ 25,374,117 | \$ 1,000,000 | \$ 22,562,094 | \$ 48,936,211 | \$ 39,951,235 |
| Excess (deficiency) of revenue over expenses | (187,671) | 7,495,796 | 104,471 | 7,412,596 | - | - | 7,412,596 | 9,614,976 |
| Investment in capital assets, net of amortization | 184,497 | (5,012,267) | - | (4,827,770) | - | 4,827,770 | - | - |
| Funding of SARC by SARCAN | 360,000 | (360,000) | - | - | - | - | - | - |
| Distribution to members | - | (2,955,000) | - | (2,955,000) | - | - | (2,955,000) | (630,000) |
| Interfund transfer | 104,471 | - | (104,471) | - | - | - | - | - |
| NET ASSETS, END OF YEAR | <u>\$ 5,087,556</u> | <u>\$ 19,916,387</u> | <u>\$ -</u> | <u>\$ 25,003,943</u> | <u>\$ 1,000,000</u> | <u>\$ 27,389,864</u> | <u>\$ 53,393,807</u> | <u>\$ 48,936,211</u> |


The accompanying notes are an integral part of the financial statements

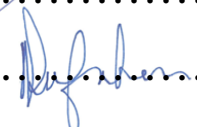
SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
COMBINED STATEMENT OF FINANCIAL POSITION
as at March 31, 2023

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 11,656,372 | \$ 9,819,030 |
| Investments (Note 3) | 15,083,678 | 14,832,070 |
| Accounts receivable (Note 4 & 13) | 3,633,579 | 5,374,991 |
| Inventory (Note 5) | 557,565 | 818,608 |
| Prepaid expenses and deposits | 336,423 | 875,862 |
| | 31,267,617 | 31,720,561 |
| CAPITAL ASSETS (Note 6) | 27,389,864 | 22,562,094 |
| | \$ 58,657,481 | \$ 54,282,655 |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued charges (Note 13) | \$ 3,058,334 | \$ 2,746,801 |
| Unearned revenue | 168 | 332,681 |
| Unamortized capital asset funding (Note 7) | 311,018 | 236,957 |
| | 3,369,520 | 3,316,439 |
| UNAMORTIZED CAPITAL ASSET FUNDING (Note 7) | 1,894,154 | 2,030,005 |
| | \$ 5,263,674 | \$ 5,346,444 |
| NET ASSETS | | |
| Designated net assets | 1,000,000 | 1,000,000 |
| Net assets invested in capital assets | 27,389,864 | 22,562,094 |
| Unrestricted net assets | 25,003,943 | 25,374,117 |
| | 53,393,807 | 48,936,211 |
| | \$ 58,657,481 | \$ 54,282,655 |

The accompanying notes are an integral part of the financial statements

APPROVED BY THE BOARD

 Director

 Director

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
COMBINED STATEMENT OF CASH FLOWS
year ended March 31, 2023

| | 2023 | 2022 |
|---|-----------------------------|----------------------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Deficiency of revenue over expenses - SARC | \$ (187,671) | \$ (146,147) |
| Excess of revenue over expenses - SARCAN - Legislated | 7,495,796 | 9,669,569 |
| Excess of revenue over expenses - SARCAN - Non-Legislated | 104,471 | 91,554 |
| Adjustments for: | | |
| Amortization | 2,407,746 | 2,328,280 |
| Amortization of capital asset funding | (303,570) | (236,381) |
| Loss (gain) on disposal of capital assets | 4,978 | (6,884) |
| Unrealized gain on investments | (251,608) | (680,127) |
| | <u>9,270,142</u> | <u>11,019,864</u> |
| Changes in non-cash working capital (Note 9) | 2,762,694 | 498,766 |
| | <u>12,032,836</u> | <u>11,518,630</u> |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | |
| Additions to capital assets | (7,260,494) | (3,773,341) |
| Proceeds on disposal of capital assets | 20,000 | 22,566 |
| | <u>(7,240,494)</u> | <u>(3,750,775)</u> |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | |
| Distribution to members | (2,955,000) | (630,000) |
| | <u>(2,955,000)</u> | <u>(630,000)</u> |
| NET INCREASE IN CASH | 1,837,342 | 7,137,855 |
| CASH, BEGINNING OF YEAR | 9,819,030 | 2,681,175 |
| CASH, END OF YEAR | \$ <u>11,656,372</u> | \$ <u>9,819,030</u> |

The accompanying notes are an integral part of the financial statements

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

1. NATURE AND DESCRIPTION OF THE ORGANIZATION

The Saskatchewan Association of Rehabilitation Centres (“SARC”), registered under the Non-Profit Corporations Act of Saskatchewan, is an association of independent and autonomous community-based organizations which provide residential supports, employment services and recreational activities to people experiencing disability. SARC is a registered charity under the provisions of the Income Tax Act in Canada.

Pursuant to an agreement with the Province of Saskatchewan, SARC’s recycling division, SARCAN Recycling (“SARCAN”), operates a depot-based beverage container collection system. The operations that fall under this agreement are referred to as “Legislated” and other operations including the collection of household glass, household batteries, used paint and end-of-life electronics are referred to as “Non Legislated”.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

a) Basis of Presentation

The financial statements include the accounts of SARC and SARCAN. All significant inter-divisional transactions and balances have been eliminated (except for rental charges between SARC and SARCAN as explained in Note 13).

b) Financial Instruments

(i) Measurement of Financial Instruments

SARC 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. SARC subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs related to financial instruments measured at amortized cost are capitalized and amortized over the expected life of the item using the effective interest method.

(ii) Impairment

At the end of each reporting period, SARC assesses whether there are any indicators that a financial asset measure at amortized cost may be impaired. If there is an indication of impairment, SARC determines whether a significant adverse change has occurred during the period in the expected timing of the future cash flows from the financial asset.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Financial Instruments (continued)*

(ii) *Impairment (continued)*

If there is a significant adverse change in the expected cash flows, the carrying value is reduced to the highest of the present value of the expected cash flows or the amount that could be realized from selling the financial asset at the statement of financial position date. Any impairment of the financial asset is charged to income in the period in which the impairment is determined. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the period the reversal occurs.

c) *Investments*

Investments are classified as current assets as they are capable of reasonably prompt liquidation.

d) *Inventory*

Inventories are valued at the lower of cost and net realizable value. Work-in-process and finished goods inventories include cost of material only. Cost is determined using the average cost method.

e) *Capital assets*

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Capital assets are measured at cost less accumulated amortization and accumulated impairment losses. Capital assets are amortized on a straight line basis over their estimated useful lives.

When the organization observes conditions that indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost. The write-downs of tangible capital assets are accounted for as expenses in the statement of operations. Write downs are not reversed.

f) *Revenue Recognition*

SARC follows the deferral method of accounting for Government grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. As a result, SARC's excess of revenue over expenses for the period represents the increase in resources that are not restricted to cover specific expenses of a future period.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue Recognition (continued)

SARC recognizes revenue from the sale of goods when persuasive evidence of an arrangement exists, goods have been shipped, the price to the buyer is fixed or determinable, and collection is reasonably assured.

Investment income comprises interest from cash, interest from fixed income investments, realized gains and losses on the sale of investments, and unrealized appreciation and depreciation in the fair value of the investment. Revenue is recognized on the accrual basis.

Training and conference fees are recognized as revenue when the related event is held.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets.

g) Revenue and Expenses relating to the “Supported Employment Transition Initiative”

The Supported Employment Transition Initiative (“SETI”) is a contractual relationship between SARC and Saskatchewan Ministry of Immigration and Career Training. SETI supports SARC members in finding sustainable employment for individuals with intellectual disabilities. SARC actively manages and assumes final responsibility for activities and expenditures of SETI. As such, these financial statements reflect all transactions in respect of SETI, including the payments to SARC members receiving the project funding.

h) Donated materials

The value of donated materials is recorded as revenue and inventory in the financial statements when the fair value can be reasonably estimated and when the materials are used in SARC’s normal course of business.

i) Net assets

Use of the designated assets for general purposes has been restricted by the Board of Directors.

j) Employee future benefits

Substantially all employees of SARC are participants in a defined contribution pension plan. SARC’s obligation under the plan is limited to making regular payments to the plan to match contributions made by the employees for current services.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the useful life of capital assets and related amortization, valuation of inventory and determination of an allowance for doubtful accounts receivable. Actual results could differ from those estimates.

3. INVESTMENTS

| | 2023 | 2022 |
|--------------|----------------------|---------------|
| Pooled Funds | \$ 15,083,678 | \$ 14,832,070 |

The Pooled Funds consist of investments in professionally managed pooled funds which include public instruments such as fixed income and equity securities and private investments such as direct real estate and infrastructure.

4. ACCOUNTS RECEIVABLE

| | 2023 | 2022 |
|-------------------------|---------------------|--------------|
| Trade | \$ 913,929 | \$ 2,717,057 |
| Ministry of Environment | 1,930,558 | 1,969,091 |
| Member depot floats | 624,168 | 561,536 |
| Goods and Services Tax | 164,924 | 104,344 |
| Grants receivable | - | 22,963 |
| | \$ 3,633,579 | \$ 5,374,991 |

5. INVENTORY

| | 2023 | 2022 |
|--------------------------|-------------------|------------|
| Salvage materials | \$ 317,987 | \$ 501,556 |
| Central stores and other | 239,578 | 317,052 |
| | \$ 557,565 | \$ 818,608 |

For SARCAN Central stores inventory, there was \$519,564 (2022 - \$746,045) expensed in the year. For SARCAN Salvage materials, due to the nature of the inventory, there is no inventory expensed in the year, only the collection costs as noted on the SARCAN Statement of Operations.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

6. CAPITAL ASSETS

| | Rates (years) | Cost | Accumulated Amortization | Net Book Value | |
|--|------------------|----------------------|-----------------------------|-----------------------------|----------------------|
| | | | | 2023 | 2022 |
| Buildings | 10-40 | \$ 18,776,429 | 6,125,980 | \$ 12,650,449 | \$ 9,136,732 |
| Office equipment, furniture and fixtures | 3-5 | 2,894,999 | 2,155,079 | 739,920 | 573,490 |
| Machinery and equipment | | | | | |
| - processing | 2-8 | 7,259,921 | 4,858,674 | 2,401,247 | 1,823,078 |
| - depot | 2-5 | 8,451,602 | 5,449,795 | 3,001,807 | 2,712,153 |
| Vehicles and trailers | 3-5 | 3,867,059 | 2,955,963 | 911,096 | 763,057 |
| Yard improvements | 10-15 | 2,826,613 | 1,598,060 | 1,228,553 | 1,353,719 |
| Leasehold improvements | 5 | 3,490,302 | 2,968,198 | 522,104 | 534,911 |
| Construction in progress | | 10,037 | - | 10,037 | 65,871 |
| | | 47,576,962 | 26,111,749 | 21,465,213 | 16,963,011 |
| Land | - | 5,924,651 | - | 5,924,651 | 5,599,083 |
| | | \$ <u>53,501,613</u> | \$ <u>26,111,749</u> | \$ <u>27,389,864</u> | \$ <u>22,562,094</u> |

7. UNAMORTIZED CAPITAL ASSET FUNDING

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|----------------------------|---------------------|
| Balance, beginning of the year | \$ 2,266,962 | \$ 2,499,360 |
| Additions | 241,780 | 3,983 |
| Amortization | (303,570) | (236,381) |
| Total balance, end of year | \$ <u>2,205,172</u> | \$ <u>2,266,962</u> |
| Less current portion | (311,018) | (236,957) |
| Balance, end of year | \$ <u>1,894,154</u> | \$ <u>2,030,005</u> |

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Pursuant to certain written agreements, SARCAN has sub-contracted the operation of specific recycling depots to SARC member organizations. Under the terms of these agreements, SARCAN has committed to pay the members a monthly allocation in respect of recurring operating costs of the depots, certain costs of a discretionary or non-recurring nature not covered by the allocation, and a management fee in respect of managerial and supervisory services to be performed by the members. These amounts are determined on an annual basis and will vary from year to year. In 2023, approximately \$18.7 million (2022 - \$18.8 million) was expended by SARCAN in respect of these member agreements. Subject to earlier termination, the terms of the agreements extend to March 31, 2024.

SARCAN has entered into a building construction contract for \$4.4 million, the project is expected to be complete by March 31, 2024.

SARC has entered into various operating leases for depot premises, the latest of which expires in 2031. Future minimum lease payments over the next five years are as follows:

| | |
|---------------|---------------------|
| 2024 | \$ 2,411,966 |
| 2025 | 1,667,385 |
| 2026 | 1,179,142 |
| 2027 | 846,777 |
| 2028 & beyond | 992,294 |
| | <u>\$ 7,097,564</u> |

9. CHANGES IN NON-CASH WORKING CAPITAL

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|---------------------|-------------------|
| Accounts receivable | \$ 1,741,412 | \$ 776,273 |
| Inventory | 261,043 | (324,888) |
| Prepaid expenses and deposits | 539,439 | (110,281) |
| Accounts payable and accrued charges | 311,533 | (178,290) |
| Unearned revenue | (332,513) | 331,969 |
| Capital asset funding | 241,780 | 3,983 |
| | <u>\$ 2,762,694</u> | <u>\$ 498,766</u> |

10. ECONOMIC DEPENDENCE

SARCAN Recycling contract revenue on the legislated statement of operations are earned entirely from an agreement entered into with Saskatchewan Ministry of Environment to provide and operate a province-wide depot system for the collection of designated containers. Under the terms of this agreement for the fiscal year 2023, contract revenue paid to SARCAN was \$35,853,868 (2022 - \$35,073,490).

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

SARC, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk, market risk, and foreign exchange risk. The following analysis provides a measurement of risk as at March 31, 2023.

Credit Risk

SARC is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. SARC does not hold directly any collateral as security of financial obligations of counterparties.

SARC's principal financial assets which are subject to credit risk are cash, investments, and accounts receivable. The carrying amount of financial assets on the statement of financial position represents SARC's maximum exposure at the statement of financial position date.

Cash and investments: Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested with chartered banks and reputable investment managers.

Accounts receivable: Credit risk associated with accounts receivable is minimized substantially by ensuring that significant outstanding amounts are with the Province of Saskatchewan or reputable companies governed by signed contracts. SARC assesses accounts receivable on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts. This amount was nil at March 31, 2023 (2022 – nil).

Liquidity Risk

Liquidity risk is the risk that SARC will not be able to meet a demand for cash or fund its obligations as they come due. SARC's objective is to have sufficient liquidity to meet its liabilities when due and fund its operations. SARC prepares a budget and monitors cash balances to ensure there are sufficient funds to meet cash requirements. SARC has a \$2,000,000 line of credit in place should it be required to meet temporary fluctuations in cash requirements. At March 31, 2023 and 2022, the bank facility had not been drawn upon.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of SARC to interest rate risk arises from its interest bearing assets. SARC's cash includes amounts on deposit with financial institutions that earn interest at market rates. Certain investments bear interest at fixed and variable rates which creates interest rate exposure.

SARC manages its exposure to the interest rate risk of its cash and investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on SARC's results of operations.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2023

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk and Foreign Currency Risk

Returns on SARC's investments are subject to risk factors specific to general economic conditions. The market value represents SARC's maximum exposure to market risk. SARC mitigates this risk by investing in a portfolio that is diversified.

The functional currency of SARC is the Canadian dollar. The SARCAN Recycling Division realizes approximately 90% (2022 - 86%) of its legislated materials revenue in U.S. dollars and is thus exposed to foreign exchange fluctuations. SARC does not actively manage this risk.

Changes in risk

There have been no significant changes in SARC's risk exposures from the prior year.

12. EMPLOYEE FUTURE BENEFITS

Included in expenses is \$804,406 (2022 - \$787,253) of contributions made by SARC to the defined contribution pension plan.

13. RELATED PARTY TRANSACTIONS

The following table summarizes SARC's significant related party and inter-divisional transactions included in expenses for the year:

| | 2023 | 2022 |
|--|----------------------|---------------|
| Allocations and management fees provided to member agencies, included as Legislated Collection Costs | \$ 13,909,390 | \$ 13,780,918 |
| SARCAN operating premises provided by SARC | 145,200 | 141,760 |

\$145,200 (2022 - \$141,760) of rent was charged by SARC to SARCAN and is included in other income in the SARC statement of operations, for SARCAN this is shown as an Administration expense in the legislated statement of operations. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At the end of the year, the amounts due (to) from related parties, included in accounts payable and accrued charges and accounts receivable, are as follows:

| | 2023 | 2022 |
|-------------------------------|---------------------|--------------|
| Due to member organizations | \$ (500,455) | \$ (755,195) |
| Due from member organizations | 663,374 | 989,122 |

These balances are payable on demand and have arisen from the provision of float funds to members and the services referred to above.

Included in contractual obligations and commitments disclosure in Note 8 is \$2,084,656 (2022 - \$1,386,901) related to member organizations for operating leases of depot premises over the next five years.

SASKATCHEWAN ASSOCIATION OF REHABILITATION CENTRES
SARCAN RECYCLING DIVISION
SCHEDULE OF ADMINISTRATION EXPENSES
year ended March 31, 2023

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Wages and benefits | \$ 2,214,181 | \$ 2,037,887 |
| Rent - office and equipment (Note 13) | 155,286 | 154,378 |
| Professional fees | 109,036 | 97,069 |
| Conferences, dues and meetings | 63,872 | 28,143 |
| Office expense | 123,599 | 112,822 |
| Directors' costs | 44,720 | 37,020 |
| Travel | 27,341 | 14,858 |
| Miscellaneous | 39,048 | 19,426 |
| Insurance | 28,046 | 20,275 |
| Regional Meetings | 7,119 | 5,679 |
| Repairs and maintenance | 2,886 | 2,754 |
| Bank and payroll service charges | <u>14,331</u> | <u>12,148</u> |
| | <u>2,829,465</u> | <u>2,542,459</u> |
| Less: Allocation to SARCAN Non-legislated Statement of Operations | <u>(121,871)</u> | <u>(129,093)</u> |
| Less: Allocation to ancillary non-legislated materials on SARCAN Legislated Statement of Operations | <u>(9,900)</u> | <u>(7,463)</u> |
| | <u>\$ 2,697,694</u> | <u>\$ 2,405,903</u> |