

TIRE STEWARDSHIP OF SASKATCHEWAN INC.

2020 Annual Report

**TIRE STEWARDSHIP
OF SASKATCHEWAN**



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1. MESSAGES

COLIN FRASER | Chair, Board of Directors

As Chair of the Tire Stewardship of Saskatchewan Inc. (TSS) Board of Directors, I am pleased to present the 2020 Annual Report.

I am very proud of the progress made in 2020 by TSS. The increase in fees late in 2019 enabled TSS to be more financially viable and in the future can be more proactive in addressing legacy tires (those tires not recycled each year) which results in a growing problem. TSS now is planning to launch some new tire collection and industry development initiatives in the years ahead.

In 2020 work continued in cleaning up two large legacy piles which will be completed in 2021. Throughout the year TSS continued to work hard to meet the expectations of our stakeholders and registered retailers, and to find operational efficiencies. Now TSS will continue to be focused more on environmentally friendly collection activities and in our recycling industry.

I also thank our first Executive Director, Brad Colin for his leadership and service to TSS. In August Brad moved on to another career opportunity. At the same time, we welcome Stevyn Arnt as our new Executive Director. Stevyn brings business and industry development experience to TSS.

In the fall TSS developed the new PSP which was approved by the Minister on December 17, 2020. This plan provides direction to TSS on how to operate the program for the next three years. In the years ahead there will be a focus on developing the tire recycling industry in the province, and more legacy tire collection in collaboration with communities and municipalities.

I take this opportunity to thank my colleagues on the TSS Board of Directors, the Saskatchewan Ministry of Environment, our stakeholder organizations, the tire retailers in Saskatchewan, and the TSS staff.

Sincerely,



Colin Fraser

Chair

Tire Stewardship of Saskatchewan Inc.

STEVYN ARNT | Executive Director

I am pleased to present the TSS annual report for 2020.

2020 was an eventful year that saw TSS deal with the ramifications of the Covid 19 impact, renew our product stewardship plan (PSP) with the Ministry of the Environment, while continuing our large-scale projects in the remediation of the tire pile located at the former site of the Assiniboia Rubber Recyclers, and starting of the remediation of the tire pile located at Eldon, SK. We expect that, during 2021, we will be able to complete these large-scale remediation projects and begin additional efforts to reduce the number of legacy tire piles while continuing our process improvement efforts.

In 2021, TSS is starting efforts to increase the number of tire retailers participating in the Return to Retailer (R2R) program while launching surveys for individuals and communities to better understand the magnitude of the legacy tire issue.

I look forward to next year as I will be re-engaging with the Advisory Committee on some important and strategic issues identified in the new PSP including a new payment model for processors, consumer education, and to develop the processing industry to find cost efficiencies while monitoring and improving our overall program green house gas emissions. Also continued surveying will help TSS develop a long term, transparent plan of action with legacy tire remediation in the province in which we anticipate we will be working closely with communities and RMs.

I would like to take this opportunity to thank our delivery partners for their support, and the Saskatchewan Ministry of Environment as we continue to implement change to improve the program and reduce costs. I would also like to thank the TSS Board of Directors for their ongoing support during the year. Their unwavering support has allowed TSS to move ahead and make positive changes to our programming efforts.

Best regards,

Stevyn Arnt MBA

Executive Director

Tire Stewardship of Saskatchewan Inc.

stevyn.arnt@tssk.ca

Cell: 306-550-8634

2. GOVERNANCE

Board of Directors

The Tire Stewardship of Saskatchewan Inc. (TSS) is governed by an industry-led volunteer Board of Directors having representation from those that are obligated under the regulations, complemented by two independent members at large who bring perspective and additional competencies to the Board.

The TSS Board of Directors is comprised of the following four members:

- **Colin Fraser, Chair – Owner/Operator OK Tire, Prince Albert**
Retail Council of Canada
- **Ray Geleta, Vice-Chair – Executive Director**
Western Canada Tire Dealers Association
- **Len Ritchot – General Manager, Market Tire**
Retailer-At-Large
- **Richard (Porky) Porter**
Independent Member-at-Large

Advisory Committee

The TSS Advisory Committee (the Committee) provides strategic advice and program input to the Board of Directors. The Committee has no decision-making authority however serves as a source of information, knowledge and advice for the Board and the Executive Director related to strategic program development and new opportunities and helps to connect the program to the communities. The Committee meets as requested by the Board or the Executive Director.

The TSS Advisory Committee includes members from the following stakeholder groups:

- SARC/SARCAN Recycling
- Ministry of Environment, Government of Saskatchewan
- Tire Retailers
- Saskatchewan Association of Rural Municipalities
- Saskatchewan Urban Municipalities Association.

Stakeholder Engagement

TSS is committed to collaboration with key stakeholders in the industry. This includes engagement with retailers, processors and collectors, and with industry organizations such as the Canadian Association of Tire Recycling Agencies (CATRA). The TSS Executive Director attends regular CATRA conference calls and is in regular contact with British Columbia, Alberta and Manitoba tire stewardship representatives.

Independent Audit

Financial management activities are reviewed on a yearly basis by an independent audit firm – MNP LLP. This audit ensures that TSS is meeting all accounting standards and requirements. The audited financial statements are included in this report.

3. 2020 YEAR IN REVIEW

2020 was an exciting year and the third year of full operation for TSS. The increase in fees per tire approved in the fall of 2019 allowed for additional funds to be used to begin addressing a legacy tire pile at Eldon. Work also continued on the Assiniboia legacy pile. The approval of a new PSP on December 17, 2020 for an additional 3 years lays out the TSS priorities and program goals for the next three years which includes planning for more consumer education, working with communities and municipalities and First Nations regarding legacy tires, and expanding the R2R program. TSS will also look to make investments into processing and end use research, market development and moving the industry to more efficient and higher value recycling products. The Advisory Committee will be key to moving the industry forward with updated and new initiatives and programs. Communities and municipalities and consumers will be invited to take a more active role in tire collection and processing in the province to increase recycling rates. Collectors and processors will be working with TSS on an ongoing basis to lower environmental impacts.

Zone Collection

On March 1, 2019 TSS implemented collection zones and awarded collection contracts to three different Saskatchewan-based companies. Each retailer now has an assigned collector based on the geographic zone in which they reside. Collectors service all retailers in their assigned zone(s), and no other collector can service that zone unless directed to do so by TSS.

TSS continues to realize many benefits with this new model including reduced costs, improved service and accountability of collectors to retailers, and a fairer system for collectors. Also, with less travel due to no overlap of routes, the program is reducing our GHG footprint. Each of the three TSS collectors have each accepted 2-year extensions to their current agreements, taking them to December 31, 2022.

Recycling and Processing

Saskatchewan's current sole processor is Shercom Industries. TSS extended the existing contract with Shercom for 6 months to allow for continued development on a new incentive payment model as per the PSP that moves from payment at the time of delivery of scrap tires to the processor to one based on sales of final product.

Due to expressed interest from multiple parties, TSS is planning in early 2021 to issue a Request for Proposals (RFP) for minimally/non-competing value-added processing. Interested parties have already been made aware that any additional processing capacity added to the Province will be require an increased level of financial/sales transparency as required for a sales-based incentive payment model.

Financial efficiencies generated by any new processing facility will free up funds for improving recycling rates and dealing with legacy pile issues which will minimize any potential volume impact to the existing processor.

Assiniboia and Eldon Tire Pile Remediation Projects

In 2020 the project for the remediation of the former site of the Assiniboia Rubber Recyclers (ARR) plant in Assiniboia Saskatchewan continued. The Government of Saskatchewan had committed \$3.3M to the project. Nearing the project budget limits, the project was put on hold in the summer of 2020 as alternative means were considered to fund the final remediation work. The project is expected to be completed in the spring of 2021 with no additional funds being required from the Government of Saskatchewan as TSS will be in a position to fund the final clean up. As of December 31, 2020, 9883.04 metric tonnes of material removed from site.

In 2020 work began on remediation of the Eldon Legacy Pile, with funds provided solely by TSS. As of December 31, 2020, 487.49 metric tonnes of material removed from site in 26 shipments. This represents approximately 30% of this legacy pile with plans for completion by the end of spring of 2021.

On-Reserve Tire Pile Remediation

In 2019 TSS began tire clean-up work under the funding framework provided by Indigenous Services Canada (ISC). Remediation of on-reserve tires is done using TSS' existing infrastructure (collector/processor). ISC funds the work while TSS manages the projects. Work with First Nations communities in 2020 was suspended as that the pandemic limited our efforts; however, TSS continues to proactively identify first nation communities which require remediation and will continue to work collaboratively with ISC in the coming years.

Fee Increase Approval and Impact

TSS obtained approval from the Ministry of Environment effective November 1, 2019 to increase the fees collected from retailers. This has allowed the creation of additional funds for other initiatives such as increasing legacy tire collections, industry market development and consumer education. Late in 2020 planning got underway for some new initiatives to be undertaken in 2021.

Retailer Compliance

TSS manages a program to encourage compliance from retailers to ensure remittance of the tire recycling fees collected from its customers. Compliance efforts range from regular communications sent out by TSS direct to retailers, engaging MNP LLP to do retailer audits, and reporting non-compliant retailers to the Ministry of Environment for enforcement action. TSS also participates in national harmonized retailer audits under the CATRA umbrella. TSS has an active program to follow up regularly and on an ongoing basis with retailers in arrears to remittances and / or the program reporting requirements.

Retailer audits at all levels can be costly however TSS will continue to pursue compliance as necessary.

Auto-Recyclers and Scrap Tire Collection

TSS, through an agreement with SGI, provides no-charge scrap tire collection service to registered Saskatchewan Auto Recycler Association (SARA) members including SGI salvage yards. The number of scrap tires that are eligible for the no-charge service is related to the number of salvaged vehicles purchased from SGI. Auto-wreckers not registered with SARA and salvage yards are not eligible for the no-charge service.

Legacy Piles

In 2020 TSS continued the practice of registering public and private stockpiles of scrap tires. Further work is being done through surveying municipalities to develop an inventory of known legacy stockpiles. This process will be used to inform a program to be developed to begin to efficiently collect tires, probably by community or municipality.

Bicycle Tires

From registered bike retailers, TSS continues to collect and process scrap bike tires, at no cost to the retailer.

Internal Changes/Process Improvements

In 2020 TSS began tracking incoming communication efforts from retailers and the general public to develop strategies to improve program understanding including a retail education campaign and a media campaign focused on the promotion of the Return to Retailer (R2R) program. Both campaigns are targeted for 2021.

4. PROGRAM RESULTS

Tire Recycling Fees (TRFs) are paid by the consumer at the point of purchase on all new tires sold. Retailers are responsible for collecting and remitting these fees to TSS. TSS uses this single source of revenue to pay for the collection, processing of scrap tires and all other program costs. The fees are reviewed annually.

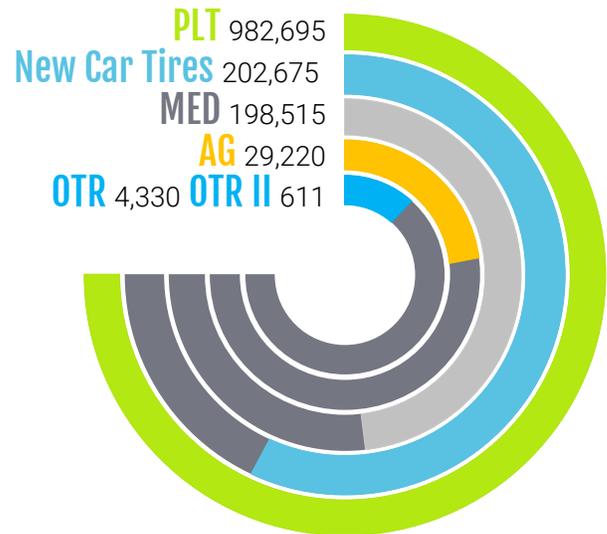
At the close of 2020, the tire recycling fees were:

Tire Category	TRF
Passenger Car/Light Truck (PLT)	\$5.00
Medium/Semi-truck (MTRK)	\$14.00
Agriculture (AG)	\$25.00
Off the Road/Mining (OTR I)	\$57.00
Off the Road/Mining (OTR II)	\$140.00

Tire Sales and Collection

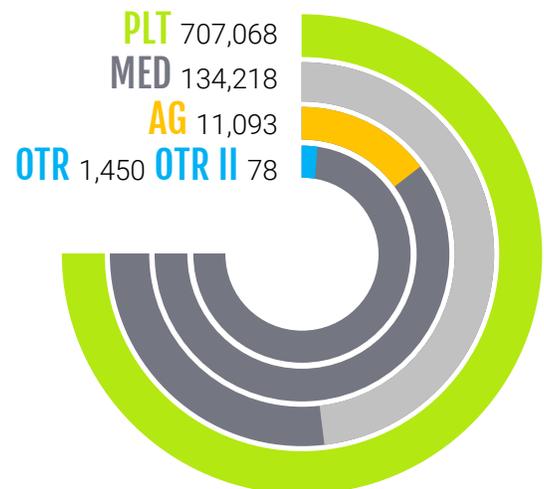
The following tables summarize the tire sales and collection volume for 2020. Numbers are as provided by the retailers (sold) and collectors (collected). New vehicle sales are a total of new cars sold multiplied by 5 tires. Sold and collected data is reported in the month following the activity (e.g. February sales information is remitted to TSS and recorded in March). Collections were handled by the TSS' three contracted collectors.

Units Sold	YTD 2020	YTD 2019
PLT	982,695	983,631
MED	189,515	183,697
AG	29,220	25,528
OTR I	4,330	5,249
OTR II	611	620
New Vehicle Tires	202,675	237,695
Total Units	1,409,046	1,436,420



2020 Tire Sales by Category

Units Collected	YTD 2020	YTD 2019
PLT	707,068	750,964
MED	134,218	138,714
AG	11,093	12,472
OTR I	1,450	1,504
OTR II	78	115
Total Units	853,907	903,769



2020 Tire Collections by Category

Weight Collected (kgs)	YTD 2020	YTD 2019
Total Weight	22,345,868	22,881,096

Recovery Rates

The following table provides the recovery rates for 2020. The recovery rate is defined as the total number of tires collected divided by the number of new tires sold.

Recovery Rate			
2017	2018	2019	2020
70.00%	71.60%	75.39%	70.77%

Processing & Manufacturing

The following table provides the inventory level for the processor. The single processor of scrap tires in Saskatchewan is Shercom Industries. Shercom creates surfacing, landscaping, agricultural and commercial products, among others, from the processed scrap tires.

Category	Shercom YTD 2020
Opening Inventory (lbs)	40,516,501
Weight Received from TSS and other:	68,435,213
Shred	78,179,374
Crumb	6,100,537
Rubber Paving	823,022
Manufactured Goods	6,277,823
Waste S/F	4,055,423
Shipped Out	-
Production Total	95,436,179
Closing Balance (lbs)	<i>This includes deliveries from abandoned legacy pile in Eldon, SK.</i>

APPENDIX A: FINANCIAL STATEMENTS

Tire Stewardship of Saskatchewan Inc.
Financial Statements
December 31, 2020

Management's Responsibility

To the Members of Tire Stewardship of Saskatchewan Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 20, 2021

 **SIGNED** by Stevyn Arnt

Executive Director

Independent Auditor's Report

To the Members of Tire Stewardship of Saskatchewan Inc.:

Opinion

We have audited the financial statements of Tire Stewardship of Saskatchewan Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, 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. 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Regina, Saskatchewan

April 20, 2021

MNP LLP

Chartered Professional Accountants

Tire Stewardship of Saskatchewan Inc.
Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	2,702,366	1,165,360
Accounts receivable	25,695	14,452
Restricted cash (Note 7)	162,415	2,719,167
Prepaid expenses	26,459	4,665
	2,916,935	3,903,644
Liabilities		
Current		
Accounts payable and accruals	1,170,640	711,097
GST payable	30,688	41,169
Deferred contributions (Note 8)	-	2,665,452
	1,201,328	3,417,718
Significant event (Note 9)		
Net Assets	1,715,607	485,926
	2,916,935	3,903,644

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Tire Stewardship of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2020

	2020	2019
Revenue		
Tire recycling fees	9,644,047	8,653,871
Ministry of Environment funding (Note 8)	2,665,452	634,548
Legacy pile	-	71,921
Interest	19,943	46,925
	12,329,442	9,407,265
Cost of sales		
Processors	4,183,712	4,323,832
Collectors	3,582,028	3,514,244
Assiniboia rubber recycling site clean up (Note 7)	2,840,925	530,621
Truckers	-	73,999
Marshalling yard	-	40,042
Recycling fee commission	-	823
	10,606,665	8,483,561
Gross profit	1,722,777	923,704
Expenses		
Advertising	-	676
Bank charges and interest	3,816	2,014
Computer	15,574	67,353
Conferences	-	676
Consulting	166,045	105,120
Directors' remuneration	5,030	3,338
Insurance and licences	8,447	5,786
Meeting expense	-	1,635
Membership fees	20,305	18,130
Office rent	39,600	38,810
Office supplies	4,311	7,483
Postage	407	872
Professional fees	27,480	65,295
Salaries and benefits	200,488	181,868
Telephone	782	1,163
Travel	3,658	4,359
	495,943	504,578
Excess of revenue over expenses before other items	1,226,834	419,126
Other items		
Temporary wage subsidy	2,847	-
Excess of revenue over expenses	1,229,681	419,126

The accompanying notes are an integral part of these financial statements

Tire Stewardship of Saskatchewan Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2020

	<i>2020</i>	<i>2019</i>
Net assets beginning of year	485,926	69,536
Excess of revenue over expenses	1,229,681	419,126
Contributions from SSTC (Note 4)	-	(2,736)

Net assets, end of year	1,715,607	485,926
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The accompanying notes are an integral part of these financial statements

Tire Stewardship of Saskatchewan Inc.

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Cash received from retailers	9,632,804	8,714,596
Cash paid for program service expenses	(10,468,383)	(8,791,797)
Cash paid for salaries and benefits	(204,110)	(180,226)
Cash received from interest	19,943	46,924
Cash received for Ministry of Environment funding	-	3,300,000
(Decrease) increase in cash resources	(1,019,746)	3,089,497
Cash resources, beginning of year	3,884,527	795,030
Cash resources, end of year	2,864,781	3,884,527
Cash resources are composed of:		
Cash	2,702,366	1,165,360
Restricted cash	162,415	2,719,167
	2,864,781	3,884,527

The accompanying notes are an integral part of these financial statements

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

1. Incorporation and nature of the organization

Tire Stewardship of Saskatchewan Inc. (the "Organization") was incorporated under the *Not-for-profit Corporation's Act* and is exempt from income taxes. The purpose of the Corporation is to serve as the scrap tire recycling program operator in Saskatchewan.

The Organization was incorporated on June 28, 2017.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from tire recycling fees is recognized as revenue when retailers submit reports for tires sold, or as the fees can be determined and collection is reasonably assured. All other revenue is recognized in the period it is earned.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

All financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management 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 financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the period in which they become known.

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

3. Line of credit

The Organization maintains an authorized line of credit limit of \$150,000 which bears interest at 2.95%.

As at December 31, 2020, the Organization has drawn \$nil (2019 - \$nil) from the line of credit.

4. Contribution from SSTC

In 2017, the Organization received contributions from Saskatchewan Scrap Tire Corporation (SSTC) upon its dissolution. The funds paid to the Organization were unrestricted, with the exception of \$84,367 which was designated to fund a liability of SSTC that had not been resolved by December 31, 2017 relating to a retail compliance review. This compliance review was substantially completed in 2018, resulting in an estimated amount owing of \$51,312 which was included in 2018 accounts payable. The difference of \$34,912 between the original estimate and the revised 2018 estimate was recorded as a direct increase to net assets, as a contribution from SSTC. In 2019 a revised amount of \$54,048 was deemed payable which was paid in 2019. This resulted in a decrease of \$2,736 from net assets in 2019. All liabilities have been paid and no transactions occurred in 2020.

5. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization exposure to liquidity risk is dependent on the receipt of tire recycling fees, collection of accounts receivable, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss.

6. Commitments

The Organization has entered into various agreements with estimated minimum annual payments as follows:

2021	182,850
2022	11,100
	<hr/>
	193,950

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

7. Restricted cash

During 2019 fiscal year, the Organization entered into a funding agreement with the Ministry of Environment for \$3,300,000 to assist the organization with the Assiniboia rubber recycling site clean up. The use of the funding is restricted for the Assiniboia rubber recycling site clean up.

	2020	2019
Balance, beginning of the year	2,719,167	-
Contribution from Ministry of Environment	-	3,300,000
Less: Amounts expended on collectors and processors, included in cost of sales	(2,840,925)	(530,621)
Add: Amounts held back on collectors and processors, included in accounts payable and accruals	284,173	53,715
Less: Amounts expended on legal, included in professional fees	-	(33,427)
Less: Amounts expended on consulting, included in consulting expense	-	(64,500)
Less: Amounts expended on survey costs, included in consulting expense	-	(6,000)
Balance, end of the year	162,415	2,719,167

8. Deferred revenue

During 2019 fiscal year, a funding agreement was entered with the Ministry of Environment for \$3,300,000 to assist the organization with the Assiniboia rubber recycling site clean up. As of December 31, 2020, \$2,665,452 (2019 - \$634,548) of costs have been incurred, utilizing all the funding received.

	2020	2019
Balance, beginning of the year	2,665,452	-
Contribution from Ministry of Environment	-	3,300,000
Less: Amounts expended on collectors and processors, included in cost of sales	(2,665,452)	(530,621)
Less: Amounts expended on legal, included in professional fees	-	(33,427)
Less: Amounts expended on consulting, included in consulting expense	-	(64,500)
Less: Amounts expended on survey costs, included in consulting expense	-	(6,000)
Balance, end of year	-	2,665,452

9. Significant event

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause impact on supply chain disruptions, and increased government regulations, all of which will negatively impact the Organization's business and financial condition.