

Tire Stewardship of Saskatchewan Inc.
Financial Statements
December 31, 2021

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.

March 7, 2022

A handwritten signature in blue ink, appearing to be 'Steve Smith', written over a horizontal line.

Executive Director

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, 2021, 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, 2021, 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.

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

March 7, 2022

MNP LLP

Chartered Professional Accountants

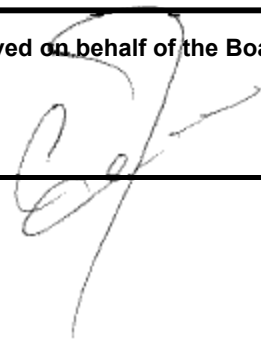
Tire Stewardship of Saskatchewan Inc.
Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Current		
Cash	3,159,853	2,702,366
Accounts receivable	12,359	25,695
Restricted cash (Note 4)	-	162,415
Prepaid expenses	24,940	26,459
	3,197,152	2,916,935
Capital assets (Note 5)	100,968	-
	3,298,120	2,916,935
Liabilities		
Current		
Accounts payable and accruals	645,788	1,170,638
GST payable	27,027	30,688
	672,815	1,201,326
Long-term debt (Note 6)	40,000	-
	712,815	1,201,326
Contingencies (Note 9)		
Net Assets	2,585,305	1,715,609
	3,298,120	2,916,935

Approved on behalf of the Board

Chair



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, 2021

	2021	2020
Revenue		
Tire recycling fees	10,391,757	9,644,047
Interest	4,008	19,943
Ministry of Environment funding	-	2,665,452
	10,395,765	12,329,442
Cost of sales		
Processors	4,595,105	4,183,712
Collectors	3,650,568	3,582,028
Assiniboia rubber recycling site clean up (Note 4)	337,644	2,840,925
Eldon rubber recycling site clean up	292,157	-
	8,875,474	10,606,665
Gross profit	1,520,291	1,722,777
Expenses		
Advertising	19,620	-
Bank charges and interest	3,653	3,816
Computer	22,338	15,574
Consulting	174,500	166,045
Directors' remuneration	6,150	5,030
Insurance and licences	12,082	8,447
Membership fees	8,799	20,305
Office rent	39,626	39,600
Office supplies	9,091	4,311
Postage	335	407
Professional fees	144,431	27,480
Salaries and benefits	223,871	200,488
Telephone	3,033	782
Training and education	110	-
Travel	3,160	3,658
	670,799	495,943
Excess of revenue over expenses before other items	849,492	1,226,834
Other items		
Temporary wage subsidy	204	2,847
Forgiveness of CEBA loan (Note 6)	20,000	-
Excess of revenue over expenses	869,696	1,229,681

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, 2021

	<i>2021</i>	<i>2020</i>
Net assets beginning of year	1,715,609	485,928
Excess of revenue over expenses	869,696	1,229,681
Net assets, end of year	2,585,305	1,715,609

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, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Cash received from retailers	10,405,093	9,632,804
Cash paid for program service expenses	(9,856,453)	(10,468,383)
Cash paid for salaries and benefits	(216,608)	(204,110)
Cash received from interest	4,008	19,943
	336,040	(1,019,746)
Financing		
Advances of long-term debt	60,000	-
Investing		
Purchase of capital assets	(100,968)	-
Increase (decrease) in cash resources	295,072	(1,019,746)
Cash resources, beginning of year	2,864,781	3,884,527
Cash resources, end of year	3,159,853	2,864,781
Cash resources are composed of:		
Cash	3,159,853	2,702,366
Restricted cash	-	162,415
	3,159,853	2,864,781

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, 2021

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.

Impact of COVID-19 on operations

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 durations 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, this outbreak has had minimal impact on the operations of the Organization at this time.

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.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Years
Office equipment	5 years
Leasehold improvements	5 years

Government assistance

The Organization recognizes the government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. Government assistance towards current expenses is recognized in income for the period as other income.

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.

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

2. Significant accounting policies (Continued from previous page)

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 over expenses in the period in which they become known.

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, 2021, the Organization has drawn \$nil (2020 - \$nil) from the line of credit.

4. 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.

	2021	2020
Balance, beginning of the year	162,415	2,719,167
Less: Amounts paid on prior year holdbacks	(162,415)	-
Less: Amounts expended on collectors and processors, included in cost of sales	-	(2,840,925)
Add: Amounts held back on collectors and processors, included in accounts payable and accruals	-	284,173
Balance, end of the year	-	162,415

5. Capital assets

	Cost	2021 Net book value	2020 Net book value
Office equipment	23,478	23,478	-
Leasehold improvements	77,490	77,490	-
	100,968	100,968	-

Capital assets include office equipment and leasehold improvements that were purchased at the end of the fiscal year, but were not yet in use; therefore, no amortization has been recorded during the current year. These assets will be amortized starting in fiscal 2022.

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

6. Long-term debt

The Organization secured a \$60,000 interest-free loan from Canadian Western Bank through the Canada Emergency Business Account (CEBA) program to support the Organization during the COVID-19 pandemic. No principal payments are required until December 31, 2023. Repayment of the balance of the loan on or before December 31, 2023 will result in loan forgiveness of 33% of \$20,000 of the loan. After 2023, any unpaid balances will be converted to a three-year term bearing interest at 5%.

The forgivable portion of the CEBA loan (\$20,000) has been recorded as other income.

7. Commitments

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

2022	183,233
2023	34,222
2024	24,636
2025	26,288
2026	26,426
	<hr/>
	294,805

8. 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.

9. Contingencies

The Organization has been named as defendant in a lawsuit, the plaintiff is seeking to recover amounts allegedly owed to them for processing and collecting services. The complaint with respect to this action generally alleges the Organization owes them these fees. This lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result.