



Tire Stewardship of Saskatchewan Inc.

2019 Annual Report

www.tssk.ca



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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 2019 Annual Report.

I am very proud of the hard work and dedication the TSS had shown in 2019. Expectations of our stakeholders and registered retailers remained high while we continued to face financial pressures. Although we were unable to work on such projects as legacy tire piles, the TSS was able to provide quality service to retailers and make changes to be more efficient. On a positive note, the recovery rate of scrap tires relative to the number of new tires sold in the province is the highest it has ever been in the program and that can be attributed to the hard work of our contracted service providers and the TSS. In partnership with the Ministry of Environment, we were also able to begin work on the remediation of the Assiniboia abandoned tire pile. This pile has sat dormant since late 2013 and the TSS is very proud to have had the opportunity to lead this project with an anticipated completion date in mid-2020.

I would like to 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,

A handwritten signature in blue ink, appearing to be "C. Fraser", written in a cursive style.

Colin Fraser
Chair, Tire Stewardship of Saskatchewan Inc.



BRAD COLIN | Executive Director

I am pleased to present the TSS annual report for 2019.

2019 was an eventful year that saw the TSS initiate large scale projects including the start of the remediation of the tire pile located at the former site of the Assiniboia Rubber Recyclers, and the implementation of zone collection across the province. The TSS was also able to work with the Ministry of Environment to implement a rate increase that will help ensure the financial viability of the program going forward into 2020 and beyond. We hope that, during 2020, we can begin additional programming to reduce the number of legacy tire piles and continue our process improvement efforts.

I would like to take this opportunity to thank our delivery partners for their support, and the Saskatchewan Ministry of Environment as we continued 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 despite the financial pressures we faced.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Colin", is positioned above the printed name.

Brad Colin
Executive Director

2. GOVERNANCE

Board of Directors

The Tire Stewardship of Saskatchewan Inc. (TSS) continues to be governed by an industry-led volunteer Board of Directors having representation from those that are obligated under the regulations, complemented by independent perspective to bring 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 when asked to do so. The Committee has no decision-making authority – it is a source of information, knowledge and advice for the Board related to strategic program development and new opportunities. The Committee meets as requested by the Board.

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

The 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. The TSS Executive Director attended the annual CATRA conference in Victoria BC in November 2019, and participated in monthly conference calls 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 the TSS is meeting all accounting standards and requirements. The audited financial statements are included in this report.

3. 2019 YEAR IN REVIEW

2019 was the TSS' second full year of operations under its Ministry of Environment approved Product Stewardship Program (PSP). The TSS faced a difficult year in 2019 as tire recycling fee (TRF) revenue was down while costs remained at the same level or higher. With a lack of additional funds available to pursue some initiatives, the TSS was forced into a position of having to tightly control all costs while deferring any programming to a future date. Activities such as the remediation of legacy piles across the province, working with Rural Municipalities on scrap tire collection for their rate payers, and enhancements to our internal IT system were deferred or cancelled. However, the TSS was able to complete a significant number of objectives and continues to provide quality service to our registered retailers despite these on-going financial pressures. The TSS will continue to plan and execute projects as finances allow.

Elimination of the 2% Early Reporting Deduction

The former scrap tire program operator offered a 2% early reporting deduction to registered retailers who remitted the collected tire recycling fees (TRF's) by the 20th of the month. In other words, the program operator allowed the retailer to retain 2% of the fees collected from its customers if it remitted by the 20th of the month. When the TSS took over the program in September 2017, it maintained this practice but changed the remittance deadline to the 10th of the month to encourage timely remittances from retailers as cash flow was an issue for TSS when it began operations.

Since the inception of the program in 1996 and up to and including 2018, this early reporting deduction cost the scrap tire recycling program over \$2.27M. In late 2018, the TSS made the decision to eliminate this deduction and return all consumer paid tire recycling fees back to the program. The elimination came into effect January 2019.

Implementation of Zone Collection Model

The TSS contracts provincial companies to collect scrap tires from the TSS registered retailers. The previous model of collection involved these companies servicing any retailer across the province. If the retailer had a long standing relationship with a certain collector, then that collector was typically the only company servicing that retailer. When a new retailer entered the system, the program operator would decide which collector was assigned to it. This former model involved too much intervention and involvement by the program operator including having to resolve territorial conflicts between collectors. It was an inefficient system.

On March 1, 2019 the 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 the TSS.

The TSS has realized many benefits with this new model including reduced costs (the marshalling yard and additional trucking has been eliminated), improved service and accountability of collectors to retailers, and a fairer system for collectors.

Assiniboia Tire Pile Remediation Project

A primary focus of the TSS in 2019 continued to be project aimed at the remediation of the former site of the Assiniboia Rubber Recyclers (ARR) plant in Assiniboia Saskatchewan. This initiative was identified in the Product Stewardship Program (PSP) as a high priority project. The Government of Saskatchewan had committed \$3.3M to the project. The contract for remediation was awarded in early 2019, with work starting in May. It is anticipated the work will be completed in summer 2020.

On-Reserve Tire Pile Remediation

The TSS continued tire clean-up work under the funding framework provided by Indigenous Services Canada (ISC). Remediation of on-reserve tires is done using the TSS' existing infrastructure (collector/processor). ISC funds the work while the TSS manages the projects.

In 2019, three on-reserve piles were remediated for a total of 378.67 metric tonnes or 834,825 lbs: Mistawasis (52.32 metric tonnes), Onion Lake (296.89 metric tonnes) and Muskeg Lake (29.46 metric tonnes). The TSS anticipates this work will continue into 2020.

Fee Increase Approval and Implementation

Due to declining tire sales and resulting decrease in tire recycling fee revenue for the TSS, the organization sought approval from the Ministry of Environment to increase the fee on passenger light truck tires (PLT) from \$4 to \$5 per tire. For new cars sold, the recycling fee increased from \$20 to \$25 per new vehicle sold. The fee increase was implemented November 1, 2019.

Retailer Compliance

The TSS continues to deal with a large percentage of retailers who fail to remit (either on time or at all) the tire recycling fees collected from its customers. Compliance efforts range from regular communications sent out by the TSS direct to retailers, engaging MNP LLP to do retailer audits, and reporting non-compliant retailers to the Ministry of Environment for enforcement action. The TSS also participates in national harmonized retailer audits under the CATRA umbrella.

Retailer audits at all levels are very costly and sometimes yield very little financial results however the TSS will continue to pursue compliance as necessary. Retailers' failure to remit fees contributes to the difficult financial state of the organization.

Collection & Transportation Working Committee

In 2019, the TSS established and held the first meeting of this working committee. As per the PSP, this committee is to provide input and feedback in terms of collection and transport of scrap tires. The first meeting focused on the newly implement zone collection model and deliveries to the contracted processor.

Auto-Recyclers and Scrap Tire Collection

The 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

Continued practice of registering public and private stockpiles of scrap tires until such time the TSS has the financial resources in place to start remediating these stockpiles.

Bicycle Tires

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

Internal Changes/Process Improvements

In 2019, the TSS implemented a number of internal changes to improve processes including:

- eliminated the use of "passenger tire equivalent" (PTE) and converted all measures to kilograms and rates paid to service providers as a dollar value per metric tonne.
- changed all invoicing by service providers to monthly as opposed to twice a month.

- implemented an online collector utility, allowing our contracted collection service providers to access real-time retailer information related to collection eligibility and number of credits. This eliminated the need for TSS to publish and distribute pick-up lists, and has eliminated the need for collectors to contact the TSS office regarding collection eligibility.
- continued to move to electronic storage of documents making access to historical information easier.
- moved IT system to Amazon Web Services and network files to the cloud allowing access to the both via the web using any device.

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 the TSS. The 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.

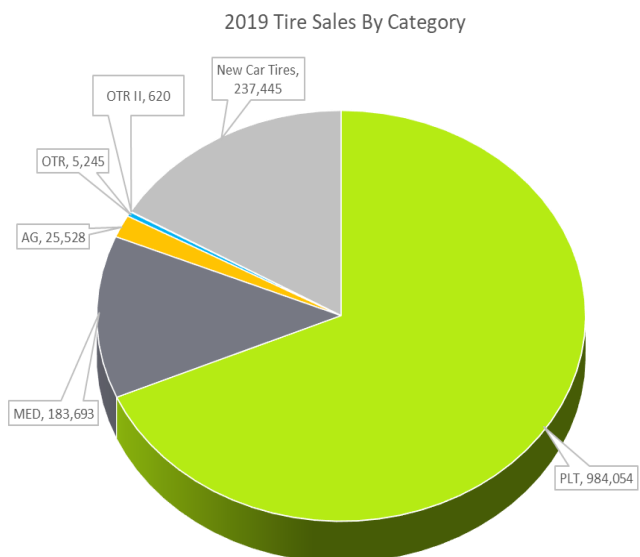
At the close of 2019, the tire recycling fees were:

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

Tires Sold

The following table provides a breakdown of the new tire sales for the year. 2019 sales were down 4.19% compared to 2018.

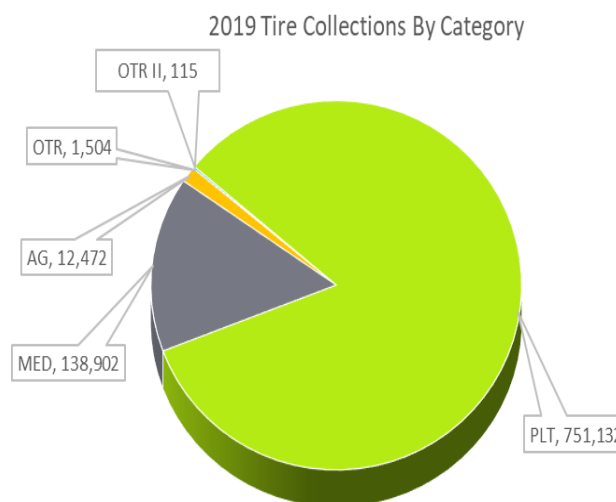
Tire Category	2019 Tires Sold	2018 Tires Sold	% Change
PLT	984,054	1,019,704	- 3.50%
MED	183,693	191,822	- 4.24%
AG	25,528	31,804	- 19.73%
OTR I	5,245	4,925	6.50%
OTR II	620	601	3.16%
New Vehicle Tires	237,445	250,610	- 5.25%
Total Units	1,436,585	1,499,466	- 4.19%



Tires Collected

The following table summarizes the collection of scrap tires for the year ending December 31, 2019.

Tire Category	2019 Tires Collected	2018 Tires Collected	% Change
PLT	751,132	732,616	2.53%
MED	138,902	145,577	- 4.59%
AG	12,472	15,028	- 17.01%
OTR I	1,504	1,471	2.24%
OTR II	115	114	0.88%
Total Units	904,125	894,806	1.04%



Collections were handled by the TSS' three contracted collectors. Combined data shows Saskatchewan had a year over year increase in tire collection from 2018 to 2019 of 1.04%.

The following table summarizes the collected weight of scrap tires for the reporting period.

Year	2019	2018	% Change
Total KGs Collected	22,863,576	21,976,595	4.04%

Recovery Rates

The following table provides the recovery rates for 2019. The recovery rate is defined as the total number of tires collected divided by the number of new tires sold. Included are the recovery rates with and without New Vehicle Sales tires included the calculation. The scrap tire recycling program recovery rates were at their highest level ever in 2019, surpassing the previous program high from 2018.

Recovery Rate	Excluding New Vehicle Sales	Including New Vehicle Sales
2016	67.07%	55.19%
2017	69.11%	56.97%
2018	71.65%	59.68%
2019	75.40%	62.94%

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.

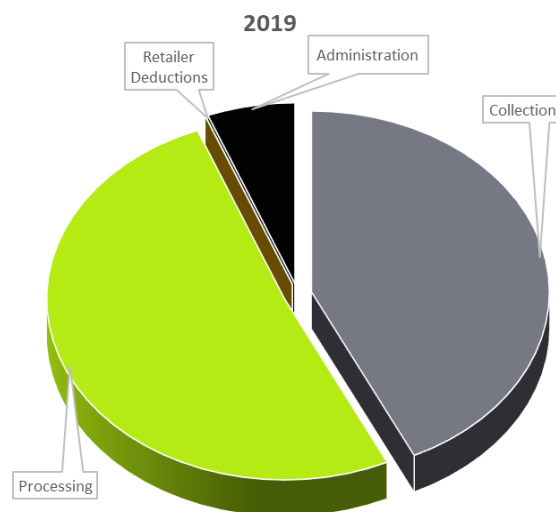
Shercom Industries (metric tonnes)	
Opening Inventory	18,531
Weight Rec'd from TSS	24,420
Tire Volume Recycled	24,572
Shred	18,406
Crumb	1439.19
Waste Steel	1491.13
Manufactured Product	3236.03
Closing Inventory	18,379

Financial Management

The following chart provides an overview of the TSS' financial operations. In 2019, the TSS continued to keep program administrative costs as low as reasonably possible. The TSS' 2019 administrative costs were the lowest the scrap tire recycling program in Saskatchewan has experienced in the past ten years. This summary excludes revenue and expenses related to the Assiniboia remediation project.

Expense Breakdown

Category	2019	2018	% Change
Revenue	\$8,772,717	\$8,921,865	- 1.67%
Collection Costs	\$3,628,285	\$4,088,731	- 11.26%
Processing Costs	\$4,323,832	\$4,104,111	5.35%
Retailer Deductions	\$823	\$115,715	- 99.29%
Admin	\$504,578	\$648,220	- 22.16%
Admin as a percentage of revenue	5.75%	7.27%	- 1.52%



APPENDIX A: FINANCIAL STATEMENTS

Tire Stewardship of Saskatchewan Inc.
Financial Statements
December 31, 2019

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.

February 26, 2020



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, 2019, 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, 2019, 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

February 26, 2020

MNP LLP

Chartered Professional Accountants

Tire Stewardship of Saskatchewan Inc.
Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Current		
Cash	1,165,360	795,030
Accounts receivable	14,452	3,256
Restricted cash (<i>Note 7</i>)	2,719,167	-
Prepaid expenses	4,665	7,045
	3,903,644	805,331
Liabilities		
Current		
Accounts payable and accruals	711,097	706,348
GST payable	41,169	29,447
Deferred contributions (<i>Note 8</i>)	2,665,452	-
	3,417,718	735,795
Net Assets	485,926	69,536
	3,903,644	805,331

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, 2019

	2019	2018
Revenue		
Tire recycling fees	8,653,871	8,921,787
Ministry of Environment funding (Note 8)	634,548	-
Legacy pile	71,921	-
Interest	46,925	78
	9,407,265	8,921,865
Cost of sales		
Processors	4,323,832	4,104,111
Collectors	3,514,244	3,437,038
Assiniboia rubber recycling site clean up (Note 8)	530,621	-
Truckers	73,999	422,225
Marshalling yard	40,042	229,468
Recycling fee commission	823	115,715
	8,483,561	8,308,557
Gross profit	923,704	613,308
Expenses		
Advertising	676	430
Bank charges and interest	2,014	2,773
Computer	67,353	29,553
Conferences	676	2,065
Consulting	105,120	244,975
Directors' remuneration	3,338	9,893
Insurance and licences	5,786	6,184
Meeting expense	1,635	792
Membership fees	18,130	22,109
Office equipment	-	5,754
Office rent	38,810	36,000
Office supplies	7,483	8,909
Postage	872	3,821
Professional fees	65,295	70,921
Salaries and benefits	181,868	182,944
Special projects	-	12,350
Telephone	1,163	1,069
Travel	4,359	7,678
	504,578	648,220
Excess (deficiency) of revenue over expenses	419,126	(34,912)

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, 2019

	2019	2018
Net assets beginning of year	69,536	71,393
Excess (deficiency) of revenue over expenses	419,126	(34,912)
Contributions from SSTC (Note 4)	(2,736)	33,055
Net assets, end of year	485,926	69,536

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Cash received from retailers	8,714,596	8,938,048
Cash paid for program service expenses	(8,791,797)	(8,808,104)
Cash paid for salaries and benefits	(180,226)	(182,944)
Cash received from interest	46,924	78
Cash received for Ministry of Environment funding	3,300,000	-
Increase (decrease) in cash resources	3,089,497	(52,922)
Cash resources, beginning of year	795,030	847,952
Cash resources, end of year	3,884,527	795,030
Cash resources are composed of:		
Cash	1,165,360	795,030
Restricted cash	2,719,167	-
	3,884,527	795,030

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, 2019

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, 2019

3. Line of credit

The Organization maintains an authorized line of credit limit of \$150,000 which bears interest at 4.45%.

As at December 31, 2019, the Organization has drawn \$nil (2018 - \$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 the current year a revised amount of \$54,048 was deemed payable which was paid during the year. This resulted in a decrease of \$2,736 from net assets.

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:

2020	123,720
2021	11,100
	<hr/>
	134,820

Tire Stewardship of Saskatchewan Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

7. Restricted cash

During the 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 Assinibois rubber recycling site clean up.

	2019	2018
Contribution from Ministry of Environment	3,300,000	-
Less: Amounts expended on collectors and processors, included in cost of sales	(530,621)	-
Add: Amounts held back on collectors and processors, included in accounts payable and accruals	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)	-
Total	2,719,167	-

8. Deferred revenue

During the 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, 2019, \$634,548 of costs have been incurred with the remaining \$2,665,452 to be spent in the next fiscal year. The clean up is expected to be completed by December 31, 2020.

	2019	2018
Contribution from Ministry of Environment	3,300,000	-
Less: Amounts expended on collectors and processors, included in cost of sales	(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	-

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