



Annual Report 2017

Canadian Electrical Stewardship Association



electrorecycle.ca



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Message From the Chair of CESA

Over the course of my seven year tenure as a CESA board member, I've witnessed our organization achieve year-over-year growth, reach new milestones, and exceed our targets. This past year was no exception – the pages that follow detail CESA's many accomplishments from 2017, which pave the road to achieving our shared goal of keeping small appliances and power tools out of Canada's landfills. My thanks extends to our members, to CESA President Laura Selanders, and to the many stakeholders who have contributed to CESA's continuous success and improvement over the years.

As part of our commitment to continuous improvement, CESA surveyed its members in 2017 and learned that nearly two thirds of members are satisfied with CESA but we learned we have improvements to make too. We learned that members are in favour of the Program's geographical expansion, if and when that expansion makes sense. Our members want to see us focus on harmonization wherever possible. While we currently only operate in BC, CESA is confident in its position as Canada's leader in small appliance and power tool recycling. We will continue to provide innovative solutions in BC, and remain prepared to expand our proven model to other provinces, should small appliance stewardship expand to other jurisdictions.

Members also voiced a request to decrease the administrative burden of remitting fees, and CESA listened. New payment frequencies were introduced in 2017 to allow members to remit monthly, quarterly, or annually. In addition, CESA introduced EFT (online bill payment) options at most major financial institutions in Canada, providing new and convenient solutions for remitting fees.

Finally, members asked for greater visibility and transparency into spending, and that is where this report comes in. In the pages that follow, members can learn about key metrics that CESA uses to measure success, and get a detailed picture of CESA's spending. At the end of this document you will find our annual financial statements, audited by a third party, which show the current financial health of the organization and areas where CESA's predominant spending takes place.

With success measured in growing awareness and tonnage collected, CESA leads the charge for responsible and efficient end-of-life management of small appliances and power tools. Our reputation as a leader in product stewardship and ongoing efforts to innovate and increase efficiency positions CESA well to represent industry as product stewardship continues to expand across Canada. CESA's 2017 accomplishments detailed in the pages that follow are testament to this, and I look forward to witnessing the ongoing success of CESA's future.

Sincerely,



David Bois
Chair, CESA

Message From the President of CESA

A record-breaking year for CESA in many respects, 2017 marked an all-time high for recycling volumes of small appliances and power tools, continuing a six-year growth streak. To date, CESA's ElectroRecycle program has diverted more than 20 million kilograms of small appliances and power tools from landfills. That's the weight equivalent of about 5,000 elephants! Our success is undoubted, and this year is chock full of key milestones.

This year ElectroRecycle collected a total of 4,913,400 kilograms of product – an eight per cent increase over 2016, and three per cent above our target. Not only did we achieve high collection volumes, but our cost to collect was at an all-time low at \$1.31 per kilogram, which is four per cent lower than last year. With each passing year in operation, we are learning, optimizing and increasing our efficiency as Canada's only small appliance and power tool stewardship group.

Our success goes beyond operations and extends to public awareness and engagement. Our summer Ambassador Program continues to be a success, matching 2016's theme of continued growth. The three-person Ambassador team traveled across British Columbia to 47 communities across 22 regional districts, attending a total of 118 events. These efforts resulted in more than 35,000 kilograms collected and thousands of face-to-face interactions educating the public about the importance of recycling.

Public engagement efforts extended well beyond our Ambassador tour, with ElectroRecycle's presence spanning the full media spectrum. ElectroRecycle saw nearly nine million TV impressions, over three and a half million radio impressions, and nearly a million impressions

for print ads, earned media, social media, events and digital advertising combined. In total, the Program received more than 13.2 million impressions across BC in 2017. Our continued commitment to educating and engaging the public ensures we meet our mission to assist manufacturers, brand owners and other legally obligated parties in meeting regulatory requirements to establish end-of-life product collection and recycling programs.

At CESA, we are dedicated to keeping small appliances and power tools out of landfills and we're undeniably proud of our accomplishments to date. The momentum of our Program's achievement has carried us into a strong start for 2018 and there are no signs of slowing down. As the leader on small appliance recycling in Canada, CESA looks forward to another strong year ahead. Thank you to all of our partners, industry stakeholders, and particularly our members who make our mission achievable through their dedication to our Program. And a special thanks goes to our operating partner Product Care Association, whose boots-on-the-ground hard work is integral to CESA's success.

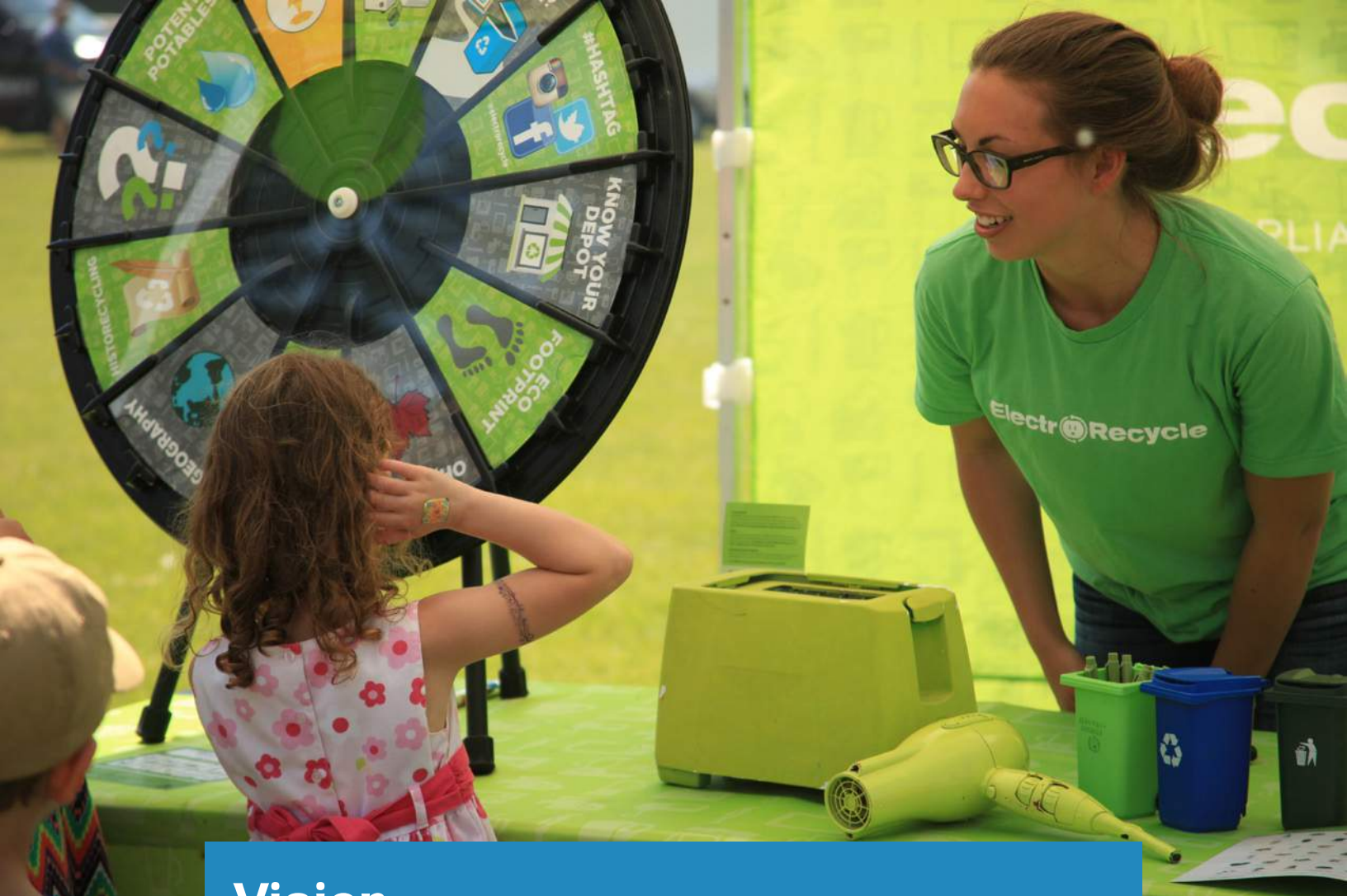
Best regards,



Laura Selanders

President, CESA

lselanders@cesarecycling.ca



Vision

- Stakeholder relationships – ensure good reputations with all regulators across Canada
- Internal structure – minimal internal structure with a dependence on outsourced expertise
- Financial position – drive down per tonne cost of recycling, providing increased efficiency and value
- Awareness – cost effective awareness Program to increase materials collected
- Product coverage – add appliances within scope as they come to market
- Geographical expansion – become the favoured model in Canada and successful in more than one region

Mission

To design, implement, operate, promote and report out on end-of-life recycling programs for electrical appliances and other electrical products.

Mandate

To assist manufacturers, brand owners and other legally obligated parties in meeting regulatory requirements to establish end-of-life product collection and recycling programs

2017 Snapshot



215 collection
sites across BC



4,913,400 kg
of program product
collected

8%

increase in
product
collected

3%

above program
target



99.5%¹

accessibility across BC

4.5%

above program
target



79%²

consumer awareness

16.5%

above program
target



\$1.31/KG

overall program cost 2017

4%

lower vs 2016

¹ Accessibility Study was conducted in 2015.

² Consumer Awareness Survey was conducted in 2016. Surveys are conducted once every two years.



What is CESA?

Launched in 2011, the Canadian Electrical Stewardship Association (CESA) is Canada's first and only small appliance and power tool recycling stewardship program.

A federally incorporated, industry-led not-for-profit organization, CESA's recycling Program manages end-of-life products on behalf of our more than 450 members, who are comprised of producers of small household appliances and power tools from various sectors.

CESA currently operates its ElectroRecycle Program in British Columbia, which provides recycling solutions for more than 400 different household small appliances and power tools.

The Program was formed in response to provincial Extended Producer Responsibility (EPR) regulations. EPR is a legislative framework for recycling in Canada where the responsibility for end-of-life product management belongs to product producers – those who manufacture, import for the first time, distribute or sell designated products. These producers make up CESA's more than 450 members.

Instead of trying to go it alone, members of the small household appliance industry came together and formed CESA in 2011 when the BC

Ministry of Environment expanded regulations to include small household electrical appliances. In 2012, the Program expanded to include power tools, exercise equipment and crafting machines, all of which CESA is tasked with managing in order to meet the specific mandates of the Regulation on behalf of members.

CESA has engaged Product Care Association (PCA) to act as Program Manager, overseeing the administration and day-to-day operations of the ElectroRecycle Program.

While it is not our mandate to lobby for new regulations in other jurisdictions, CESA remains proactive in our engagement with regulators so that the voice of our membership is heard when new programs are being discussed.

More information about CESA, its members and its collection facility locations can be found at www.electrorecycle.ca.



Governance

CESA is incorporated under the Canada Not-for-Profit Corporation Act and is governed by a Board of Directors.

The Board is structured with the intent of having representation of both manufacturers and retailers from as many product categories as possible. Additionally, CESA works with manufacturer and industry associations who are observers to CESA's Board of Directors, including the Canadian Hardware and Housewares Manufacturers Association (CHHMA), the Association of Home Appliance Manufacturers Canada (AHAM) and the Retail Council of Canada (RCC).

Laura Selanders - *President*
CESA

Davis Bois - *Chair*
Home Hardware Stores Limited

Peter Maddock - *Vice Chair*
Panasonic Canada Inc.

David Williams - *Treasurer*
Hamilton Beach Brands Canada Inc.

Jot Toor - *Secretary*
Staples Canada Inc

Milena Tolasi - *Compliance Officer*
Costco Wholesale Canada Ltd

Rob Felix - *Director*
London Drugs Limited

Kimi Walker - *Director*
Canadian Tire Corporation

Craig Emerson - *Director*
Bissell Canada Corporation

Stan Sauer - *Director*
Makita Canada Inc.

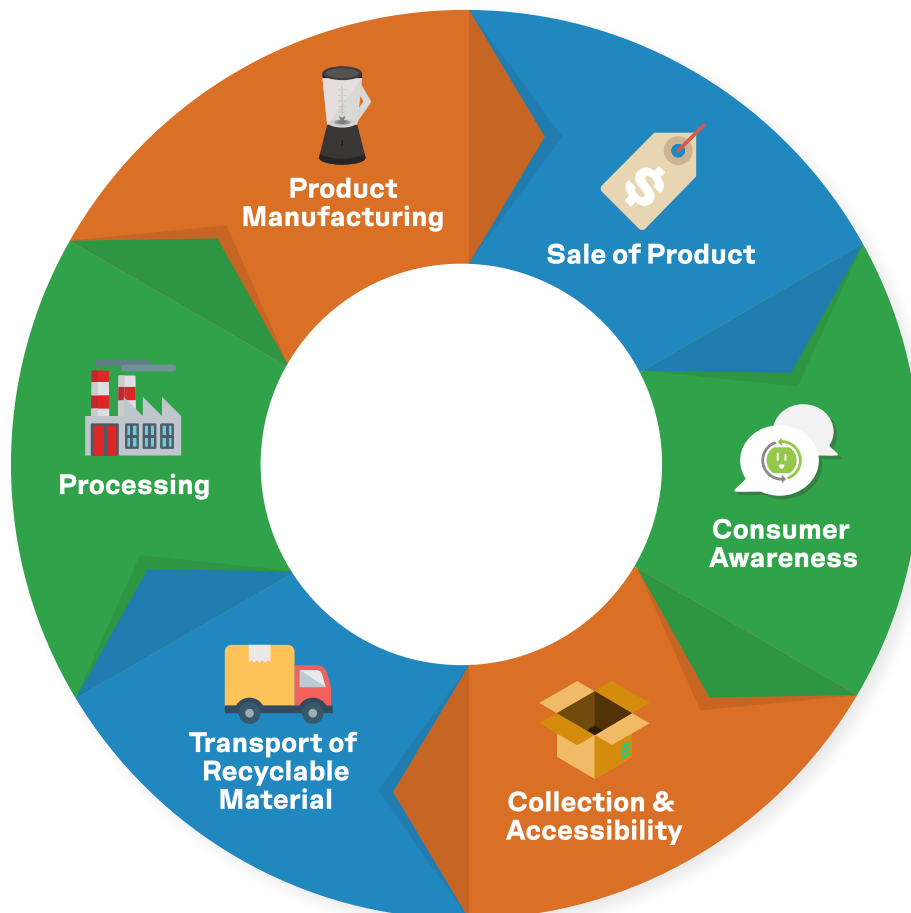
Karl Herdman - *Director*
Conair Consumer Products Inc.

Program Overview

The day-to-day business of recycling small appliances and power tools includes many steps, which collectively ensure that Program Products are handled in an environmentally responsible manner.

It starts with setting up and maintaining a convenient collection network that is accessible to the public so they can recycle their products at end-of-life. We then educate consumers about the existence of the ElectroRecycle Program, ensuring they know which products we collect, where they are accepted, and why it's important

to recycle. Once products are collected, the Program proceeds with its safe handling procedures, organizing a safe and effective transportation system, and processing the recyclable products we collect so the materials can be reused to manufacture other products.





The Production & Sale of CESA Products

Industry continues to develop new approaches to reduce the environmental impacts associated with the production and use of small appliances and power tools. Such approaches include redesigning products, reducing packaging, and increasing energy efficiency, among other sustainability efforts.

Product Design and Packaging Reduction

Shifts in product design have resulted in a higher percentage of plastic in many small appliances. Small appliance producers actively work to maximize the use of pre-and/or post-consumer recycled materials where feasible, without impacting the integrity of the product and its packaging. Other trends include using fewer chemicals and using more environmentally friendly pigments in product manufacturing.

Energy Efficiency

Shifts in product design have resulted in a higher percentage of plastic in many small appliances. Small appliance producers actively work to maximize the use of pre-and/or post-consumer recycled materials where feasible, without impacting the integrity of the product and its packaging. Other trends include using fewer chemicals and using more environmentally friendly pigments in product manufacturing.

Sustainability

Shifts in product design have resulted in a higher percentage of plastic in many small appliances. Small appliance producers actively work to maximize the use of pre-and/or post-consumer recycled materials where feasible, without impacting the integrity of the product and its packaging. Other trends include using fewer chemicals and using more environmentally friendly pigments in product manufacturing.

In 2017, CESA members reported the sale of

8,334,554

units of small appliances and power tools in British Columbia



Public Outreach & Awareness

In 2017 ElectroRecycle expanded its reach in British Columbia, employing a series of community-based social marketing, traditional advertising and public education activities. A dedicated, year-round Ambassador team conducted outreach throughout the province. The team attended community and large-scale events, as well as hosted its own signature event – RecycleFest.

Consumer Awareness

CESA surveys the public every two years to determine awareness levels of the Program. In 2016, 79% of British Columbians said they were aware of the existence of a Program that recycles electrically powered small appliances and power tools. This represents a 6% increase over results from 2014.

Consumers said they were more likely to bring larger electrical appliances to a recycling depot, particularly those found in the kitchen (e.g. blenders, toasters and coffee makers). Confusion still exists around recycling smaller items (e.g. hair straighteners and electric toothbrushes). This is in part attributed to smaller items fitting in trash bins, making them easy to throw away – ultimately providing an easy and convenient disposal option. Larger items, on the other hand, don't easily fit in the trash forcing consumers to find trash-alternative solutions – including recycling. Building on this, in 2017 the Program made efforts to raise awareness about the importance of recycling all Program products – big and small. The next consumer awareness study will be conducted in 2018 to further build consumer understanding and inform CESA's public education efforts.



79%

of British Columbians
are aware of the
ElectroRecycle Program



118 Events

Across 22 regional districts

Collection Events and Expanded Program Reach

Collection events continued to allow CESA to expand partnerships with local community groups, regional districts, municipalities and retailers throughout BC. There was also an increased focus on remote, or under-served areas, including Port Hardy, Tofino, Vanderhoof, McLeod Lake, Fort Nelson and Haida Gwaii.

In 2017 CESA attended a total of 118 events, which were held in collaboration with 47 communities in 22 regional districts, resulting in the collection of more than 35,000 kg worth of Program Products. These events were organized with the help of community partnerships, many of which have been established during previous Ambassador tours. The Ambassador Program employed a year-round ambassador, plus the addition of two co-op students employed from May to August. The three person team collaborated with community partners at several types of events, such as community festivals, municipal round-ups, school and university partnerships as well as organizing and hosting remote events. Each event varied in focus and objective, with some focusing on public engagement and others focused towards increasing collection tonnage.

ElectroRecycle participated in several recurring staple events in 2017: the Vancouver Farmers Markets, Keep Vancouver Spectacular, and the Repair Café, where old appliances are brought for repair and those which are irreparable are collected by ElectroRecycle for recycling.

In 2017, ElectroRecycle hosted its third annual signature event: RecycleFest. ElectroRecycle headlines the event, which is held in collaboration with the City of Vancouver, Keep Vancouver Spectacular and the Trout Lake Community Centre Youth group. In 2017 a total of 1,809 kg of Program Product was collected at RecycleFest – a 50 per cent increase in collection tonnage compared to 2016. The advertising reach from this event exceeded one million with a “live on location” event by The Peak Radio, as well as extensive support from local community groups and promotion from online blogs and community calendars. Local and sustainable vendors increased the overall foot traffic of the event’s success and contributed to a growing audience reach. RecycleFest will continue in 2018 for its fourth annual year of awareness building, community engagement, and product collection.



Public Engagement

Consumers continue to be encouraged to ask questions or submit comments about the Program through a number of channels, including a general information email address, info@cesarecycling.ca, and a consumer inquiry toll-free number, 1-877-670-2372.



6,006

phone, email and app
consumer inquiries



51,939

visits to electrorecycle.ca
77% which were unique



4,547

Facebook page likes
66% increase from 2016



1,428

Twitter followers
8% increase from 2016



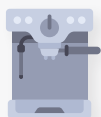
388

Instagram followers
100 new since 2016



Over **450**

members & subscribers to
the ElectroRecycle newsletter



More than **13 million** consumer advertising
impressions resulting in more than **35,000 kg**
of small appliances collected at events

Collection & Accessibility

CESA's collection network for the ElectroRecycle Program relies primarily on a free drop-off system where British Columbians can bring Program Products to one of more than 200 locations. This system is augmented through collection events, return to retail locations, and direct pick-up from high volume producers of Program Product.

Collection facilities are located province-wide, providing convenient access to British Columbians. The Program does not directly own or manage these collection facilities, but contracts with organizations that can provide a collection location. Collection facilities include any location that accepts Program Products, which include private drop-off centres, retailers, local government sites and service organizations. Very large products collected through the Program are managed as scrap metal by a number of contracted collection sites, independent of the Program.

Overall, the Program increased total volumes collected by eight per cent from 2016, three per cent higher than the Program's target of five per cent.

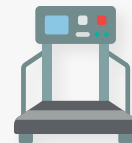
Map-based "depot finders" are available online at ElectroRecycle's website and Recyclepedia – the recycling information portal maintained by the Recycling Council of BC (RCBC). Consumers can search by city or postal code for their nearest collection facility to drop off their regular and large item CESA products. Hours of operation, directions and contact information are also provided.



118
Collection Events



4,913,400 kg
of regular
products collected



2,765
pieces of large exercise
equipment and **1,383**
pieces of large power tools
were collected. Unlike
regular CESA products,
these very large products
are not managed through
the Program's recycling
process.



215
contracted collection
facilities



99.5%
of British Columbians had
convenient access to a
collection site*

*for regular products

Processing

Whenever feasible, CESA encourages residents to repair products or find second homes for electrical products still in good working order. The Program itself focuses on ensuring that products that are broken or have otherwise reached their end-of-life are collected and shipped to processors where they are broken down into their component parts to be recycled/recovered.

The Program Manager contracts on behalf of CESA with all processors and recyclers who handle CESA's collected material. The processors are required to conform to the Electronics Product Stewardship Canada (EPSC) Electronic Recycling Standard. The EPSC Electronic Recycling Standard defines the minimum requirements for handling end-of-life electronics and contains many requirements with which the processor must comply, such as environmental, occupational health and safety, and material handling requirements.

CESA also requires that all processors submit to performance reviews by CESA or a third-party auditor as required.

Material Commodity	Reuse	Recycle	Recovery	Landfill	% of Total Volumes Processed	Downstream Flow
Ferrous Steel		✓			52.8%	North America
Plastics		✓			26.2%	North America
Aluminum		✓			1.7%	North America
Wire, Cables and String Lights		✓			4.0%	North America
Copper		✓			2.2%	North America
Glass		✓			2.6%	North America
Circuit Boards		✓			2.7%	North America & Japan
Refuse				✓	5.9%	North America
Rechargeable Batteries		✓			1.1%	North America
Paper Based Materials		✓			0.4%	North America
Non Rechargeable Batteries		✓			0.3%	North America
Heating Oil		✓	✓	✓	0.4%	North America

Consolidated Financials

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Electrical Stewardship Association, which comprise the statement of financial position as at 31 December 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Electrical Stewardship Association as at 31 December 2017, 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.

Statement of Financial Position

Assets

	2017	2016
Current		
Cash	\$ 1,018,683	\$ 7,037,345
Accounts receivable	1,766,958	1,252,429
GST/HST receivable	111,600	153,395
Prepaid expenses	33,821	25,452
	<hr/>	<hr/>
	\$ 2,931,062	\$ 8,468,621
Internally restricted investments (Note 4)	12,021,568	11,459,561
Long-term investments (Note 5)	6,158,786	
	<hr/>	<hr/>
	\$ 21,111,416	\$ 19,928,182

Liability

Current

Accounts payable and accrued liabilities	\$ 1,228,035	\$ 1,076,826
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Commitments (Note 6)

Net Assets

Unrestricted	\$ 7,861,813	\$ 7,391,795
Internally restricted - Reserve Fund (Note 8)	12,021,568	11,459,561
	<hr/>	<hr/>
	19,883,381	18,851,356
Internally restricted investments (Note 4)	12,021,568	11,459,561
	<hr/>	<hr/>
	\$ 21,111,416	\$ 19,928,182

Statement of Changes in Net Assets

	Unrestricted	Internally Restricted Reserve Fund	Total 2017	Total 2016
Balance -beginning of year	\$ 7,391,795	\$ 11,459,561	\$ 18,851,356	\$ 18,487,428
Excess of revenues over expenses for the year	1,032,025	-	1,032,025	363,928
Fund transfer - Reserve Fund (Note 8)	(562,007)	562,007	-	-
Balance End of Year	\$ 7,861,813	\$ 12,021,568	\$ 19,883,381	\$ 18,851,356

Statement of Operations

	2017	2016
Revenues	\$ 6,765,180	\$ 6,377,255
Expenses		
Collection, transportation and processing	4,742,651	4,628,728
Administration	1,166,062	1,113,653
Communication	551,761	596,924
	\$ 6,460,474	\$ 6,339,305
Excess of revenues over expenses from operations	304,706	37,950
Other Income		
Unrealized gain on market value of investments	590,079	172,966
Investment income	187,348	192,468
Investment management fees	(50,108)	(39,456)
	727,319	325,978
Excess of revenues over expenses for the year	\$ 1,032,025	\$ 363,928

Statement of Cash Flows

	2017	2016
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 1,032,025	\$ 363,928
Item not involving cash		
Unrealized gain on market value of investments	(590,079)	(172,966)
	441,946	190,962
Changes in non-cash working capital balances		
Accounts receivable	(514,529)	83,659
GST/HST	41,795	4,751
Prepaid expenses	(8,369)	10,590
Accounts payable and accrued liabilities	151,210	104,197
	112,053	394,159
Investing activities		
Purchase of long-term investments - net	(6,032,816)	-
Transfer to Reserve Fund	(97,899)	(147,883)
	(6,130,715)	(147,883)
Net increase (decrease) in cash	(6,018,662)	246,276
Cash - beginning of year	7,037,345	6,791,069
Cash - end of year	\$ 1,018,683	\$ 7,037,345

Notes on the Financial Statements

1. Incorporation

Canadian Electrical Stewardship Association (the "Association") was incorporated under the Canada Corporations Act on 8 March 2010 and commenced operations on 1 October 2011. The Association was issued a certificate of continuance under the Canada Not-for-Profit Corporations Act on 2 August 2012. The Association is a not-for-profit organization and it is not subject to income taxes providing certain requirements are met.

The Association is a Product Stewardship Agency of manufacturers, brand owners and retailers of electrical small appliances, power tools, sewing machines, exercise, sports and leisure equipment, and arts, crafts and hobby devices. The Association's purpose is to assist manufacturers, brand owners and other legally obligated parties (e.g. retailers, importers or distributors) in meeting regulatory requirements to establish end-of-life product collection and recycling programs under the British Columbia Recycling Regulation (Reg.449/2004, O.C. 995/2004) (the "Regulation").

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows: Recycling Regulation (Reg. 449/2004, O.C. 995/2004) (the "Regulation").

(a) Revenue recognition

Revenue from environmental handling fees ("EHF") is recognized at the time a EHF applicable product is sold by a member of the Association, and the EHF becomes due and payable. EHF are received from registered members which participate in the Association's program. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. EHF revenues are recognized as members report and remit them as required by applicable provincial environmental legislation.

Members who join the program after the program's start date are obligated to remit EHF back fees for all products sold from the earlier of the program's start date or the date on which the member started selling designated products. The back fees are recognized as revenue when the amounts are determinable by the Association.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Investment income is recognized as revenue when earned. Unrealized gains and losses on investments are recognized in the statement of operations.

(b) Cash and cash equivalents

The Association's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

2. Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include long-term investments and internally restricted investments.

(ii) Impairment

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include long-term investments and internally restricted investments.

(iii) Transaction Costs

The Association recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Key areas where management has made estimates and assumptions include recognition of accrued liabilities, revenue recognition of EHF and provisions for allowance for doubtful accounts related to accounts receivable. Actual results could differ from these estimates.

3. Accounts receivable

	2017	2016
Accounts receivable	\$ 1,798,362	\$ 1,272,029
Allowance for doubtful accounts	(31,404)	(19,600)
	\$ 1,766,958	\$ 1,252,429

During the year, the Association recorded bad debt expense of \$13,488 (2016 - \$24,548) that have been included in communications and program administration expense.

4. Internally restricted investments

Internally restricted investments are comprised of assets which have been internally restricted by the Association's board of directors related to the Reserve Fund (Note 8):

	2017 Market	2017 Cost	2016 Market	2016 Cost
Cash equivalents	\$ 760,814	\$ 760,814	\$ 1,030,353	\$ 1,030,353
Fixed income	7,478,318	7,491,443	7,674,845	7,755,873
Equity	3,782,436	3,133,996	2,754,363	2,551,031
	\$ 12,021,568	\$ 11,386,253	\$ 11,459,561	\$ 11,337,257

5. Long-term investments

	2017 Market	2017 Cost	2016 Market	2016 Cost
Cash equivalents	\$ 287,604	\$ 286,425	-	-
Fixed income	4,052,829	4,057,164	-	-
Equity	1,818,353	1,689,227	-	-
	\$ 6,158,786	\$ 6,032,816	\$ -	\$ -

6. Commitments

The Association has a lease agreement for its office premises that will expire on 1 April 2019. The minimum annual payments required by the lease are as follows:

2018	\$ 28,017
2019	6,900
	\$ 34,917

7. Revenues

Revenues from EHF are comprised of the following amounts:

	2017	2016
EHF revenue - current year	\$ 6,534,936	\$ 6,091,923
EHF revenue - back fees	230,244	285,332
	\$ 6,765,180	\$ 6,377,255

8. Reserve Fund

The Reserve Fund has the following purposes:

- (a) To manage the year to year cost of fluctuations in volumes and costs and thereby stabilize recycling fees;
- (b) To cover the costs of winding up the Association by the decision of the members or as a consequence of regulatory change;
- (c) To cover any claims against the Association, its staff or Board of Directors in excess of the Association's insurance coverage;
- (d) To enable the Association to reduce its insurance costs for the management of environmental risk, or any other risk;
- (e) To cover any unusual or extraordinary costs not accounted for in the operating budget;
- (f) To be used in the event that unexpected expenses to drive program collection, awareness or expansion are determined necessary to maintain operations; and
- (g) To meet recovery targets in British Columbia or any other province in which the Association may operate in the future.

8. Reserve Fund (continued)

The Reserve Fund is internally restricted and transfers to the Reserve Fund are at the discretion of the Board of Directors up to a maximum amount, which is the greater of the cumulative forecasted expenses for the following fiscal year and the cumulative prior year expenses, plus other amounts deemed necessary by the Board of Directors. The Reserve Fund is funded by investments which have been internally restricted by the Association's Board of Directors (Note 4).

The assets in the Reserve Fund consist of investments in cash equivalents, fixed income investments, mutual funds, and equity securities and is independently managed (Note 4). All income earned and expenses paid on those investments are initially reported in the unrestricted fund and then transferred to the Reserve Fund. During the year, \$562,007 (2016 - \$320,849) was transferred from the unrestricted fund to the Reserve Fund.

9. Financial Instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at the statement of financial position date, 31 December 2017.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its cash and accounts receivable. Cash is in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members. The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible. There has been no change to this risk exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association is not exposed to this risk due to its strong working capital position. There has been no change to this risk exposure from the prior year.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(d) Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 8% (2016 - 7%) of the Association's investments are denominated in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. There has been no change to this risk exposure from the prior year.

9. Financial Instruments (continued)

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Association does not use financial instruments to reduce its risk exposure. There has been no change to this risk exposure from the prior year.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in market. The Association is exposed to other price risk through its long-term and internally restricted investments, which are held in professionally administered funds. These funds are subject to fluctuating returns based on the market and exposed to the risk of market volatility. Risk has been assessed by management and an investment policy adopted to mitigate such market risk. There has been no change to this risk exposure from the prior year.



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