



CANADIAN ELECTRICAL
STEWARDSHIP ASSOCIATION

ANNUAL REPORT 2018

electrorecycle.ca

A MESSAGE FROM THE

CHAIR OF CESA

AS A PROUD MEMBER OF CESA'S BOARD, I'M PLEASED TO REPORT ON ANOTHER YEAR OF GOOD GOVERNANCE, SOUND FINANCIAL MANAGEMENT, AND DEDICATION TO ADVANCING OUR MISSION.



CESA MAINTAINED ITS YEAR-OVER-YEAR TRACK RECORD OF DECREASING THE COST-PER-KILOGRAM OF PRODUCT COLLECTED.

In 2018, CESA's mission was revised to emphasize our commitment to assisting our members in fulfilling their obligations under provincial extended producer responsibility (EPR) legislation. As you will see in the pages that follow, we have worked hard over the past year to ensure these obligations are carried out, and we have made strides to innovate in our approach to do so.

CESA maintained its year-over-year track record of decreasing the cost-per-kilogram of product collected, with new cost controls implemented to ensure efficiencies. While there is no specific cost-per-kilogram target, CESA aims to improve its ratio each year. Understanding that we are limited on economies of scale relative to other stewardship programs, CESA is dedicated to finding innovative solutions to offer efficiencies. Despite limitations, we continue to run a cost-effective organization that proactively exceeds regulatory expectations for collections, communications and compliance.

Compliance remains a critical element of CESA's business, and we continue to work with government to identify those organizations that fail to meet their obligations, and bring them to the attention of the compliance team. CESA's work in this area minimizes free-riding and contributes to a level playing field that benefits all stewards, and holds industry members accountable to their obligation.

Through our member survey, we learned what is of top priority to our members, and CESA's board has taken great strides to deliver. Specifically, our members have asked CESA to work collaboratively with all stakeholders to drive an innovative, flexible and cost-efficient stewardship program, and to do so with minimal complexity. CESA continually seeks member feedback to learn what can be done better and make the necessary effort to meet those requests.

To that end, in 2018 we simplified reporting obligations for members, decreasing the frequency of reporting for smaller members and developed new and simplified ways of making account

payments. In addition to updating the accounting system itself with our service provider, CESA reduced environmental handling fees on the vast majority of the obligated product categories. This was in response to increased sales and higher than anticipated interest revenue, which CESA was quick to respond to on behalf of our members' benefit. Going forward, we will continue to identify opportunities to keep costs down for both members and consumers, while delivering transparency and equal representation of our members.

On behalf of the board, thank you for your continued efforts in fulfilling our mission to assist our members in meeting their obligations for small appliance and power tool recycling.

Sincerely,

David Bois
Chair, CESA



A MESSAGE FROM THE

PRESIDENT OF CESA

THE END OF 2018 MARKED MY FIVE YEAR ANNIVERSARY WITH CESA – AN OPPORTUNITY THAT I HAVE APPRECIATED IMMENSELY, SERVING OUR MEMBERS AND OUR MISSION WITH ENTHUSIASM. OVER THE COURSE OF THESE FIVE YEARS I HAVE SEEN A LOT OF CHANGE, ALL FOR THE BETTER, WITH 2018 BEING NO EXCEPTION.

This past year, we were able to lower fees, improve member satisfaction rates, and saw keen interest from other governments in our program. As it stands, CESA is the only small appliance and power tool program in North America. With eight years of operating our program transparently and with a commitment to excellence, we are motivated to continue enhancing our position as subject matter experts.

CESA has an excellent team of service providers on the ground, and in particular, a dedicated program manager and ambassador team that scour the province for opportunities to expand our collection network, either permanently or through one-off events. In 2018, CESA drove collection to its highest level yet, reaching over 5,000 tonnes! Not only did we break collection records, but we managed to accomplish this while lowering the cost-per-kilogram by two per cent, and increasing our consumer awareness to 88%. These

achievements are significant, and we can and should celebrate them.

Having said this, we are also aware that continued improvement is always possible. The same drive that yielded our successes to-date continues to drive our demand for ongoing program refinement. In the coming year, we will continue to work with our board and stakeholders to identify opportunities to collect more, lower costs and be more engaged in the reduction of end-of-life waste through better awareness of the pollution prevention hierarchy.

As we look to 2019, we do so with keen awareness that the world of extended producer responsibility is changing in other provinces. With a forward-looking eye, CESA will continue to adopt best practices that fit our BC model, and learn from organizations who are leading with excellence in their category. Our go-forward approach will be responsive, flexible and transparent, in order to

make CESA a better organization for our members and the consumers who use our programs.

Here is to recognizing our record-breaking achievements over the past year, and taking a moment to celebrate what we have accomplished. I look forward to serving you in the year ahead, and reaching CESA's next milestones.

Sincerely,



Laura Selanders
President, CESA





VISION

TO BE THE PREFERRED SERVICE PROVIDER IN PROVINCES WITH A REGULATION IN PLACE FOR SMALL APPLIANCES, STRIVING FOR OPTIMAL COST EFFECTIVENESS AND EFFICIENCY FOR OUR MEMBERS.

MISSION

TO ASSIST MANUFACTURERS, BRAND OWNERS AND OTHER LEGALLY OBLIGATED PARTIES IN DISCHARGING THEIR OBLIGATION TO ESTABLISH END-OF-LIFE PRODUCT COLLECTION AND RECYCLING PROGRAMS UNDER APPLICABLE PROVINCIAL EXTENDED PRODUCER RESPONSIBILITY (EPR) LEGISLATION.

MANDATE

TO DESIGN, IMPLEMENT, OPERATE, PROMOTE AND REPORT OUT ON END-OF-LIFE RECYCLING PROGRAMS FOR ELECTRICAL APPLIANCES AND OTHER ELECTRICAL PRODUCTS.





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2018 SUMMARY STATISTICS

COLLECTION

220 COLLECTION
SITES ACROSS BC

5,091,820KG TOTAL PRODUCT
COLLECTED

4%
INCREASE IN
PRODUCT COLLECTED
FROM LAST YEAR

ACCESSIBILITY

99.5% ACCESSIBILITY
ACROSS BC

VS. 2017
99.5%

AWARENESS

88% CONSUMER
AWARENESS

VS. 2017
79%

FINANCIALS

\$1.29/KG
COLLECTED

VS. 2017
2%
LOWER





THE PROGRAM PROVIDES RECYCLING SOLUTIONS FOR MORE THAN 400 DIFFERENT HOUSEHOLD SMALL APPLIANCES AND POWER TOOLS.

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.

Publicly operating under CESA's consumer-facing name, ElectroRecycle, the Program provides recycling solutions for more than 400 different household small appliances and power tools to British Columbians across the province.

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 post-consumer 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.

In 2011, members of the small household appliance industry came together and formed CESA in response to the BC Ministry of Environment's 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 at end-of-life in order to meet the specific mandates of the Regulation on behalf of its 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.

In response to our members support, 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’s structure provides representation of both manufacturers and retailers from as many product categories as possible – currently CESA is seeking to fill a board position in each category.

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).

Any interested members who may wish to join CESA’s board, please contact Laura Selanders at lselanders@cesarecycling.ca.

Laura Selanders - President
CESA

Board of Directors (2018)

David Bois - Chair
Home Hardware Stores Limited

Peter Maddock - Vice Chair
Panasonic Canada Inc.

David Williams - Secretary/Treasurer
Hamilton Beach Brands Canada Inc.

Milena Tolasi - Compliance Officer
Costco Wholesale Canada Ltd

Theo Horsdal - 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 set up and maintenance of a far-reaching collection network that is accessible to the public, making it convenient to recycle their post-consumer products. 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 appropriate handling procedures, organizing a safe and effective transportation system, and processing the recyclable products we collect so the materials can be reused in various applications, including the manufacture of other products.



THE PRODUCTION & SALE OF CESA PRODUCTS



AS CESA'S FOCUS IS **MANAGING A PRODUCT AT END-OF-LIFE**, THE FOLLOWING SECTION DETAILS THE CONSIDERATIONS AND CURRENT MANAGEMENT OPTIONS FOR PROGRAM PRODUCTS IN ACCORDANCE WITH THE POLLUTION PREVENTION HIERARCHY (PPH).

Reuse and Repair

Proper maintenance and repair is encouraged as a means of extending the life of product, however the cost of repair is typically comparable to the cost of replacement. Although options for reuse and repair of appliances may be limited, the Program continues to work towards providing consumers with information for alternative options to disposal of Program Products, where feasible through the identification and promotion of donation centres and repair opportunities, such as repair cafes.

Recycle/Recover

The Program strives to manage collection materials using the highest option on the Pollution Prevention Hierarchy where economically feasible and viable. CESA contracts with all processors who handle CESA's collected material.

As CESA currently accepts more than 400 different products, materials are reported out by commodity only, not by product type or component. Current recycling and recovery methods for common commodities found in CESA products are detailed below (see page 17). CESA continues to manage collected products and accessories, including batteries, in accordance with the PPH recognizing that the management process of commodities is subject to change.



IN 2018, CESA
MEMBERS REPORTED
THE SALE OF
8,866,452
UNITS OF PROGRAM
PRODUCTS IN
BRITISH COLUMBIA.



PUBLIC OUTREACH & AWARENESS

IN 2018, ELECTRORECYCLE CONTINUED TO EXPAND ITS OUTREACH EFFORTS ACROSS BRITISH COLUMBIA, EMPLOYING A COMBINATION OF AWARENESS MEASURES INCLUDING COMMUNITY-BASED SOCIAL MARKETING, TRADITIONAL ADVERTISING, EVENTS AND PUBLIC EDUCATION ACTIVITIES.

Electrorecycle delivered on its core communications pillars:

- **Continue to be a leader in EPR for small appliances and power tools**
- **Ensure an extensive geographical reach in the province by using an array of media platforms to speak to various audiences**
- **Maintain 79% consumer awareness of program and shift marketing messaging away from awareness-building to call to recycle**

The Program’s 2018 tactics were developed in accordance with the above objectives, and yielded record-breaking results in terms of collection tonnage per event, digital marketing reach, and consumer awareness.



CONSUMER AWARENESS

WITH THE VAST MAJORITY OF BRITISH COLUMBIANS NOW AWARE OF SMALL APPLIANCE RECYCLING, CESA CONTINUES TO SEE ITS AWARENESS NUMBERS GROW TO NEW LEVELS.

Every two years CESA conducts a survey of British Columbia’s public to determine awareness levels of the Program. In 2018, a new survey was conducted showing that 88% of the province’s population is aware that small appliances and power tools can be recycled in BC. This represents a significant increase of nine percentage points over 2016 awareness levels (79%).

CESA achieves its high awareness through a variety of tactics, ranging from traditional TV and radio advertising to social media and community outreach. CESA’s efforts span the entire province of British Columbia, including remote regions and First Nations communities, to ensure a far-reaching message.

The 2018 awareness survey showed that consumers were more likely to bring common household items to the depot for recycling (e.g. toasters, drip coffee makers, vacuums) than less common or more obscure items (e.g. panini presses, pod coffee makers, steam mops). They were also more likely to recycle large items over small items, suggesting there may be more value associated



CESA’S AWARENESS SOARS, WITH 88% OF THE POPULATION AWARE THAT SMALL APPLIANCES AND POWER TOOLS CAN BE RECYCLED IN BC.

with larger objects than small ones that fit in the trash. With this in mind, the Program developed specific messaging to build awareness around the importance and recyclability of small items in 2018. Efforts yielded an increase in awareness for most small items, particularly in the personal care category (e.g. hair straighteners increased by 17 percentage points and hair dryers by 13 percentage points over 2016).

The next consumer awareness study will be conducted in 2020 to further CESA’s knowledge of consumer behaviour and education opportunities.



COLLECTION EVENTS AND EXPANDED PROGRAM REACH

EVENT HIGHLIGHTS

100 EVENTS ACROSS
18 REGIONAL DISTRICTS

31,829 KGS COLLECTED
AT EVENTS

2.4 MILLION
IMPRESSIONS

COLLECTION AT KEY EVENTS

1,265 KGS

RECYCLEFEST

3,110 KGS

DELTA SCHOOL
CHALLENGE

9,362 KGS

VANCOUVER
NEIGHBOURHOOD
CLEANUP PARTY

11,995 KGS

CITY OF SURREY
'POP-UP JUNK DROP'

520 KGS

TOFINO AND AHOUSAT
SIGNATURE EVENT

ELECTRORECYCLE CONTINUED ITS LEGACY AMBASSADOR INITIATIVE, SUPPORTED BY ONE PERMANENT FULL-TIME STAFF MEMBER AS WELL AS TWO TRAVELING SUMMER AMBASSADORS.

In 2018, the Ambassador program resulted in collaboration with 35 communities in 18 regional districts, and the collection of 31,829 kg of Program Products at events. These initiatives supported CESA's objective to educate consumers, as well as to expand partnerships with local community groups, regional districts, municipalities and retailers throughout BC.

ElectroRecycle was present at 100 events in communities across the province, including several remote communities, resulting in over 2.4 million impressions. The Program 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. ElectroRecycle also participated in several recurring staple events in 2018: the Vancouver Farmers Markets, Vancouver Neighbourhood Cleanup Party round-ups, and the Repair Café, where old appliances are brought for repair and those which are irreparable are collected by ElectroRecycle for recycling.

ElectroRecycle hosted its fourth annual signature event – RecycleFest – resulting in the collection of 1,265 kg of Program Product. The event was built on the success of the previous three years, and worked in collaboration with the City of Vancouver, Neighbourhood Cleanup Party and the Trout Lake Community Centre Youth Group. The advertising reach from the event exceeded one million impressions with a “live on location” presence from The Peak Radio, as well as extensive support from local community groups. To encourage reuse as a first step in waste management, the event included Free Geek, a reuse organization dedicated to salvaging old electronics, and

the SteamTruck, a mobile repair organization capable of fixing a variety of items including small appliances and power tools. With ten different local and sustainable vendors, reuse, and repair organizations in attendance, there was an increase in the overall foot traffic from 2017, and the event's success contributed to a growing audience reach.

In 2018, there was also an increased focus on remote, or under-served areas, including Vanderhoof, Fort St. James, Grand Forks, Salmo and Hazelton. ElectroRecycle also organized a second, more remote, signature event in collaboration with Ahousaht First Nations and the community of Tofino. ElectroRecycle also partnered with Recycle BC's Nak'azdli First Nations Field Coordinator to host a collection event in Fort St. James.

ElectroRecycle continued its partnerships with municipal collection events and schools. The Program worked with the Delta school district in Metro Vancouver to host a recycling round-up challenge between schools, yielding 3,110 kg of Program Product collected. ElectroRecycle also participated in Vancouver Neighbourhood Cleanup Party round-ups, collecting 9,362 kg of small appliances and power tools over the span of nine events. The Program also participated alongside the City of Surrey and Salvation Army in the municipality's “Pop-Up Junk Drop”, which resulted in the collection of 11,995 kg over four events.





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](tel:18776702372).

5,080

PHONE, EMAIL AND APP
CONSUMER INQUIRIES

54,251

VISITS TO ELECTRORECYCLE.CA
80% WHICH WERE UNIQUE

89,129

GOOGLE ADS IMPRESSIONS
6,281 GOOGLE ADS CLICKED
THROUGH TO WEBSITE

7,404

SOCIAL MEDIA LIKES/FOLLOWERS (FACEBOOK,
TWITTER, INSTAGRAM) 16% INCREASE FROM 2017

OVER 450

MEMBERS & SUBSCRIBERS TO THE
ELECTRORECYCLE NEWSLETTER

MORE THAN 8.5 MILLION

CONSUMER ADVERTISING IMPRESSIONS RESULTING IN 31,829 KG OF
SMALL APPLIANCES AND POWER TOOLS COLLECTED AT EVENTS



COLLECTION & ACCESSIBILITY

CESA'S COLLECTION NETWORK IS MADE UP OF MORE THAN 200 FREE ELECTRORECYCLE DROP OFF LOCATIONS ACROSS THE PROVINCE.

British Columbians can bring Program Products to permanent locations including depots, municipal collection sites, and return-to-retail locations. The permanent network is augmented by a robust event program that services the province, as well as a direct pick-up program for large volume generators of Program Product. CESA routinely connects with its service providers to learn about opportunities for improvement in the working relationship, and acts upon these findings.

To provide British Columbians with convenient access to the Program's recycling services, collection facilities are located province-wide. The Program does not directly own or manage these collection facilities, but contracts with organizations that can provide a collection location. CESA is reliant upon the collaborative nature of the collection network, which works synergistically to offer consumers with one-stop-drop locations by collecting products from multiple stewardship agencies. This model benefits all parties, offering convenience to consumers, enhances accessibility, and provides additional revenue to depot operators.

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 four per cent from 2017.



A location-based "depot finder" is available on ElectroRecycle's website, ElectroRecycle.ca, which will be improved upon in 2019 to enhance the user experience and create a more intuitive search function. In addition to CESA's own website, British Columbians can obtain Program recycling information through 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.

100 COLLECTION EVENTS

5,091,820 KG OF REGULAR PRODUCTS COLLECTED

2,957 PIECES OF LARGE EXERCISE EQUIPMENT, AND 1,479 PIECES OF LARGE POWER TOOLS WERE COLLECTED

UNLIKE REGULAR CESA PRODUCTS, THESE VERY LARGE PRODUCTS ARE NOT MANAGED THROUGH THE PROGRAM'S RECYCLING PROCESS

220 CONTRACTED COLLECTION FACILITIES

99.5% OF BRITISH COLUMBIANS HAD CONVENIENT ACCESS TO A COLLECTION SITE FOR REGULAR PRODUCTS INCLUDED IN THE ELECTRORECYCLE PROGRAM¹

¹ Defined as a 30-minute drive or less for urban areas with a population greater than 4,000 and a 45-minute drive or less for those in rural areas of the province with a population greater than 4,000.



PROCESSING



CESA IS PROACTIVE ABOUT FINDING MARKETS FOR RECOVERED PLASTICS AND METALS.

AS A FIRST STEP IN POLLUTION PREVENTION, CESA ENCOURAGES BRITISH COLUMBIANS TO REPAIR PRODUCTS OR FIND SECOND HOMES FOR ELECTRICAL PRODUCTS THAT ARE STILL IN GOOD WORKING ORDER.

The Program itself focuses on ensuring that end-of-life products are managed responsibly, through collection and shipment to processors where they are broken down into their component parts for recycling/recovery.

Through stringent due diligence and alongside its members, government, and processors, CESA works to address changes in the global economy for secondary commodities.

Working in collaboration with these stakeholders, CESA takes into consideration the realities of global post-consumer plastic demand and scrap metal pricing. Engaged in a larger conversation about the future of recycling, CESA is proactive about finding markets for recovered plastics and metals.

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.

Percent of Weight Processed by Material Commodity in 2018

MATERIAL COMMODITY	REUSE	RECYCLE	RECOVERY	LANDFILL	% OF TOTAL TONNAGE PROCESSED	DOWNSTREAM FLOW
Ferrous Steel		✓			52.5%	Production, Processing
Plastics		✓			27.3%	Processing, Non-processing
Aluminium		✓			1.5%	Production, Processing
Wire and cables & String lights		✓			4.2%	Refining, Non-processing
Copper		✓			2.3%	Processing, Refining, Non-processing
Glass		✓			2.0%	Processing, Refining
Circuit boards		✓			2.3%	Refining
Refuse				✓	5.6%	Other final disposition
Rechargeable Batteries		✓			1.2%	Processing, Non-Processing
Paper Based Materials		✓			0.5%	Processing
Non-Rechargeable Batteries		✓			0.1%	Processing, Non-Processing
Heating Oil		✓	✓	✓	0.5%	Processing, Recovery, Landfill



CONSOLIDATED FINANCIALS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS.

Opinion

We have audited the financial statements of Canadian Electrical Stewardship Association (the “Association”), which comprise the statement of financial position as at 31 December 2018, and the statements of changes in net assets, operations 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 Association as at 31 December 2018, and its 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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Association’s financial reporting process.

Auditors’ 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 auditors’ 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 Association’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 Association’s ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Association 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.

STATEMENT OF FINANCIAL POSITION

ASSETS

	2018	2017
Current		
Cash	\$1,468,058	\$1,018,683
Accounts receivable (Note 3)	\$1,211,905	\$1,766,958
GST/HST receivable	\$138,238	\$111,600
Prepaid expenses	\$23,598	\$33,821
	\$2,841,799	\$2,931,062
Internally restricted investments (Note 4)	\$12,036,990	\$12,021,568
Long-term investments (Note 5)	\$6,165,836	\$6,158,786
	\$21,044,625	\$21,111,416

LIABILITY

	2018	2017
Current		
Accounts payable and accrued liabilities	\$1,183,876	\$1,228,035
Commitments (Note 6)		

NET ASSETS

	2018	2017
Unrestricted	\$7,823,759	\$7,861,813
Internally restricted - Reserve Fund (Note 8)	\$12,036,990	\$12,021,568
	19,860,749	\$19,883,381
	\$21,044,625	\$21,111,416



STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted	Internally Restricted - Reserve Fund	Total 2018	Total 2017
Balance - Beginning of Year	\$7,861,813	\$12,021,568	\$19,883,381	\$18,851,356
Excess (deficiency) of revenues over expenses for the year	(\$22,632)	-	(\$22,632)	\$1,032,025
Fund transfer - Reserve Fund (Note 8)	(\$15,422)	\$15,422	-	-
Balance - End of Year	\$7,823,759	\$12,036,990	\$19,860,749	\$19,883,381

STATEMENT OF OPERATIONS

	2018	2017
Revenues (Note 7)	\$6,499,595	\$6,765,180
Expenses		
Collection, transportation and processing	\$4,910,421	\$4,742,651
Administration	\$1,169,086	\$1,166,062
Communications	\$473,584	\$551,761
	\$6,553,091	\$6,460,474
Excess (deficiency) of revenues over expenses from operations	(\$53,496)	\$304,706
Other income (expenses)		
Investment income	\$625,031	\$187,348
Investment management fees	(\$64,555)	(50,108)
Unrealized (loss) gain on market value of investments	(529,612)	590,079
	30,864	727,319
Excess (deficiency) of revenues over expenses for the year	(\$22,632)	\$1,032,025

STATEMENT OF CASH FLOWS

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(\$22,632)	\$1,032,025
Item not involving cash		
Unrealized (gain) loss on market value of investments	\$529,612	(\$590,079)
	\$506,980	441,946
Changes in non-cash working capital balances		
Accounts receivable	\$555,053	(\$514,529)
GST/HST receivable	(\$26,638)	\$41,795
Prepaid expenses	\$10,223	(\$8,369)
Accounts payable and accrued liabilities	(\$44,159)	\$151,210
	\$1,001,459	\$112,053
Investing activities		
Purchase of long-term investments - net	(\$123,727)	(\$6,032,816)
Transfer to Reserve Fund	(\$428,357)	(\$97,899)
	(\$552,084)	(\$6,130,715)
Net increase (decrease) in cash	\$449,375	\$6,018,662
Cash - beginning of year	\$1,018,683	\$7,037,345
Excess (deficiency) of revenues over expenses for the year	\$1,468,058	\$1,018,683

NOTES TO 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:

(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.

(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

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(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.

(d) 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

	2018	2017
Accounts receivable	\$1,242,849	\$1,798,362
Allowance for doubtful accounts	(\$30,944)	(\$31,404)
	\$1,211,905	\$1,766,958

During the year, the Association recorded bad debt expense of \$67,127 (2017 - \$13,488) that have been included in 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):

	2018 Market	2018 Cost	2017 Market	2017 Cost
Cash equivalents	\$1,085,855	\$1,085,855	\$760,814	\$760,814
Fixed income	\$7,378,496	\$7,491,691	\$7,478,318	\$7,491,443
Equity	\$3,572,639	\$3,384,948	\$3,782,436	\$3,133,996
	\$12,036,990	\$11,962,494	\$12,021,568	\$11,386,253

5. LONG-TERM INVESTMENTS

	2018 Market	2018 Cost	2017 Market	2017 Cost
Cash equivalents	\$439,814	\$439,814	\$287,604	\$286,425
Fixed income	\$4,095,988	\$4,182,625	\$4,052,829	\$4,057,164
Equity	\$1,630,034	\$1,605,003	\$1,818,353	\$1,689,227
	\$6,165,836	\$6,227,442	\$6,158,786	\$6,032,816

6. COMMITMENTS

The Association has a lease agreement for its office premises that will expire on 1 April 2020. The minimum annual payments required by the lease are as follows:

2019	\$27,600
2020	\$6,900
	\$34,500

7. REVENUES

Revenues from EHF’s are comprised of the following amounts:

	2018	2017
EHF revenue - current year	\$6,492,224	\$6,534,936
EHF revenue - back fees	\$7,371	\$230,244
	\$6,499,595	\$6,765,180

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.

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, \$15,442 (2017 - \$562,007) 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 2018.

(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 7% (2017 - 8%) 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.

(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.





**Canadian Electrical
Stewardship Association**

95 Mural Street 6th Floor
Richmond Hill, Ontario L4B 3G2

P: 1-877-670-2327

www.electrorecycle.ca