



ANNUAL REPORT

2020



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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.



2020 BOARD OF DIRECTORS

David Bois

Home Hardware Stores Limited Retailer

Marie-Anne Champoux

Keurig/Dr. Pepper Canada Manufacturer

Jinie Choi

Hudsons Bay Company Retailer

Craig Emerson

Bissell Canada Corporation Manufacturer

Theo Horsdal

London Drugs Retailer

Peter Maddock

Panasonic Canada Inc Manufacturer

Milena Tolasi

Costco Retailer

Kimi Walker

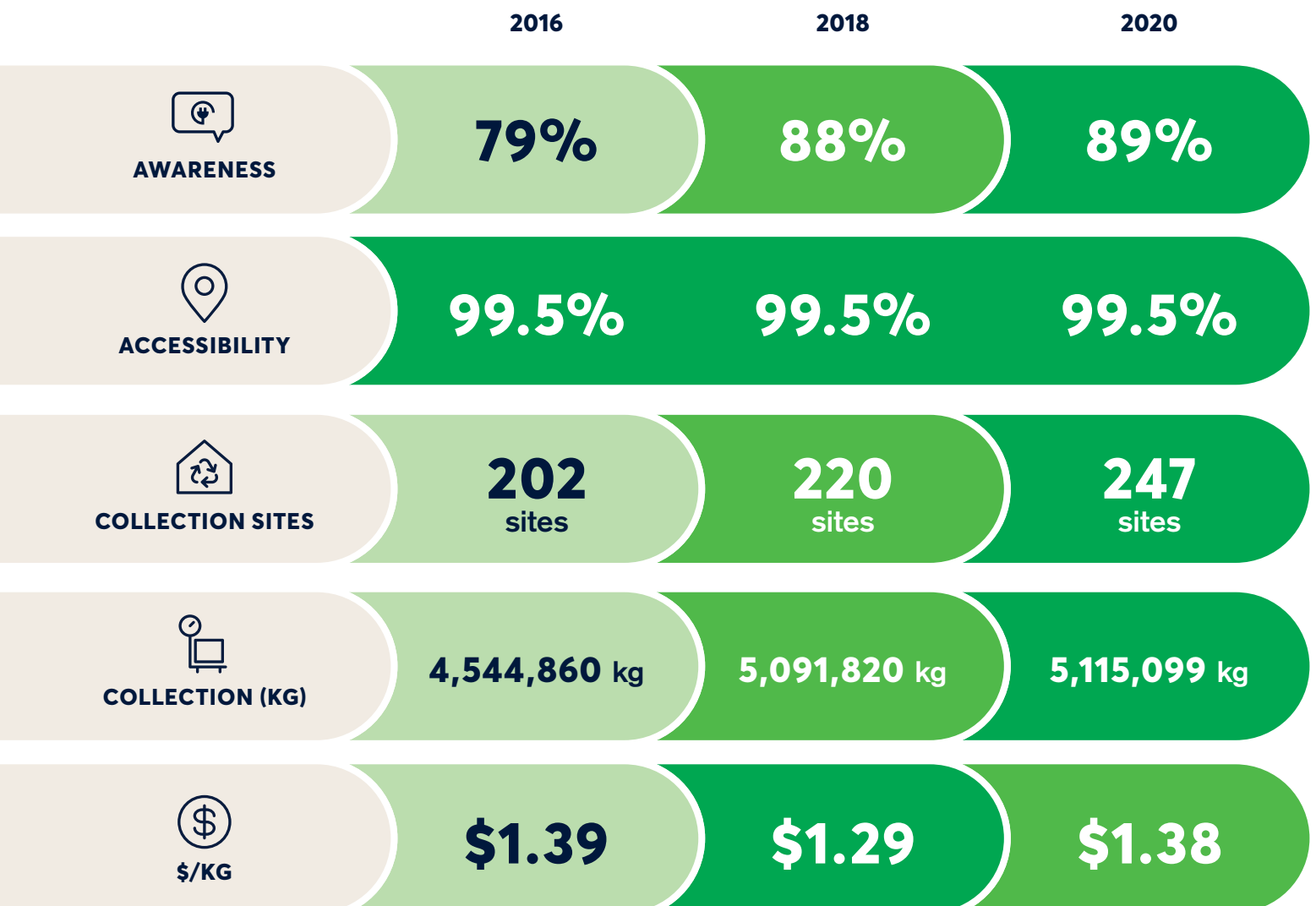
Canadian Tire Corporation Retailer

David Williams

Hamilton Beach Manufacturer



2020 SUMMARY STATISTICS





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.

Like most businesses, the ElectroRecycle Program was impacted by COVID-19 and 'business as usual' was not an option. CESA's revenues were positively impacted by COVID-related purchase trends, such as new appliances to make working from home easier. Meanwhile, expenses were higher, in part due to increased compensation for our business partners in the collection, transportation and processing of CESA products, and the purchase of a vehicle for remote collection and increased operational services.



PUBLIC OUTREACH & AWARENESS

In 2020, ElectroRecycle continued to expand its public education and outreach efforts across British Columbia by implementing a multi-channel suite of marketing and communications tactics including community outreach, enhanced digital marketing efforts, traditional advertising (TV, radio, print), events and public education activities.



**16.5 million
impressions**

Due to COVID-19 and the inability to attend its usual community events, ElectroRecycle placed additional emphasis on digital and traditional media tactics to educate the public, resulting in **16.5 million impressions across the province.**



ELECTRORECYCLE DELIVERED ON ITS CORE COMMUNICATIONS OBJECTIVES TO:

- ★ **Continue to be a leader in EPR for small appliances and power tools**
- 📍 **Ensure an extensive geographical reach in the province by using a variety of media platforms to speak to various audiences**
- 👁️ **Achieve 89% consumer awareness (mandate to obtain a minimum of 79%) of program and shift marketing messaging away from awareness-building to a call to recycle**

The Program's 2020 communications strategies were developed in accordance with the objectives noted above and contributed to strong results in terms of high consumer awareness achieved through traditional and digital marketing reach.



CONSUMER AWARENESS

The vast majority of British Columbia's adult population is aware of small appliance and power tool recycling, and CESA maintains high and stable awareness levels.

Every two years CESA conducts a survey of British Columbia's adult population to determine awareness levels of the Program. In 2020, a survey was conducted showing that 89% of the province's adult population is aware that small appliances and power tools can be recycled in B.C. This represents a **significant increase of ten percentage points over the target awareness level (79%)**.

CESA maintains its high awareness levels through multichannel targeting that spans the full media spectrum

including traditional mass media such as province-wide TV ads, to targeted localized reach in First Nations, Punjabi and Mandarin communities through niche radio stations. CESA also invests heavily in digital marketing, ensuring the Program is discoverable from all corners of the province through platforms like social media, Google and YouTube ads, and The Weather Network app.

The next consumer awareness study will be conducted in 2022 to further CESA's knowledge of consumer behaviour and education opportunities.

IN 2020, A SURVEY WAS
CONDUCTED SHOWING THAT

89%

OF THE PROVINCE'S ADULT
POPULATION IS AWARE THAT
SMALL APPLIANCES AND POWER
TOOLS CAN BE RECYCLED IN B.C.



CREATIVE SOLUTIONS FOR EVENTS

ElectroRecycle temporarily suspended its legacy Ambassador program due to COVID-19, as the majority of events were cancelled, and travel was either discouraged or not permitted for much of the year. However, the Program continued to attend events locally as per the provincial health and safety guidelines.

Program was featured at **38 events in 2020** and was able to collaborate with **eleven communities in four regional districts**, resulting in the **collection of approximately 11,215 kg of Program Products**. The majority of 2020 Program events took place in Metro Vancouver while supporting seven remote collection events on Vancouver Island and in the Central Kootenays. The Program collaborated with community partners at several events to collect Program Products including Farmers Markets, municipal and regional round-ups, and elementary schools.

In an effort to continue to be able to service regions without permanent collection sites, the Program invested in a **mobile depot** at the beginning of 2020. This mobile depot will give the Program the ability to travel to remote regions of the province in future years, once travel restrictions are eased. For the purpose of 2020, the mobile depot was used within the Lower Mainland to attend and collect product at local events, as permitted by health and safety guidelines. **Five independent mobile depot pop-up events were piloted using the new ElectroRecycle cargo van.** Events were organized with the help of new and existing community partners and each event focused on public awareness and increasing collection tonnage.



APPROXIMATELY
11,215 kg
IN PRODUCTS COLLECTED
THROUGH EVENTS





FOCUS ON SCHOOL PARTNERSHIPS

In early 2020, ElectroRecycle participated in a francophone school partnership to help educate and engage school-aged children. The partnership with Albor Pacific, a BC-based social enterprise offering educational services about the environment, offers a program called EcoNova, which helps to build an environmentally conscious culture at both elementary and secondary French language schools.

The partnership included a **two week-long recycling challenge** at three francophone elementary schools in Metro Vancouver, providing ElectroRecycle an opportunity to **engage a younger demographic on the importance of recycling** small appliances and power tools.

In lieu of further in-classroom outreach initiatives following the COVID-19 outbreak, the Program sought out a new online approach for engaging school-age children. In the second half of 2020, ElectroRecycle began a partnership with **DreamRider Productions**, a **local non-profit that offers**

engaging environmental education programs for kids. The programs are delivered under the name **Planet Protector Academy (PPA)** and are accessible to BC families (via virtual webcasts) and to teachers (both for virtual and in-class use) on a subscription basis. Content about ElectroRecycle and the pollution prevention hierarchy was added to the PPA's Zero Heroes program as part of the collaboration. ElectroRecycle worked to develop the program in 2020, while delivery of the program will begin in 2021. Results of this initiative will be reported out in the 2021 annual report.





COLLECTION NETWORK & ACCESSIBILITY

At the end of 2020, CESA'S collection network consisted of 247 ElectroRecycle drop off locations across the province.

Through this network, **British Columbians can drop off Program Products—for free—at permanent sites throughout BC** including depots, private drop-off centres, municipal collection sites, service organizations, and return-to-retail locations. The permanent network is augmented by a robust collection event program across the province, as well as a direct pick-up program for large volume generators of Program Product.

The Program does not directly own or manage these collection facilities, but rather contracts with organizations that can provide a collection location. CESA is reliant upon the collaborative nature of its collection network, working to offer consumers one-stop-drop locations by collecting products from multiple stewardship agencies. **This model benefits all parties, offering convenience to consumers, enhanced accessibility, and providing additional revenue to depot operators.**



COLLABORATIVE PARTNERSHIPS

In 2020, CESA engaged a collaborative partnership with the Outdoor Power Equipment Institute Canada (OPEIC) to further expand the convenience of the Program's offering.

Due to the synergetic nature of the two Programs' electrical product categories, **CESA is able to collect product on behalf of OPEIC across its entire 247-location collection network.** This enhances **accessibility and convenience** for consumers and allows them to drop off an expanded number of electrical products through CESA's extensive network. The partnership also creates financial efficiencies in that OPEIC contributes to shared program costs such as public education and transportation. The collaboration is mutually beneficial, allowing both programs to benefit from economies of scale.

An enhanced location-based "depot finder" is available on **ElectroRecycle's** new website, **ElectroRecycle.ca**. In addition to this 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.





2020 PROGRAM HIGHLIGHTS

In 2020, 'business as usual' was not an option. CESA was able to quickly pivot its public education strategy mid-year due to unforeseeable restrictions and changes imposed by COVID-19. Despite depot closures and event cancellations, CESA was able to adapt to meet the challenges of the new landscape with minimal impact on collection volumes and was still able to increase awareness levels.

Collection

 **247**

COLLECTION SITES

3,353

PIECES OF EXERCISE
EQUIPMENT COLLECTED³

 **5,115,099 kg**

OF PROGRAM PRODUCT COLLECTED

1,535

PIECES OF LARGE POWER
TOOLS COLLECTED³

99.5%

OF BRITISH COLUMBIANS HAD
CONVENIENT ACCESS TO A
COLLECTION SITE FOR REGULAR
PRODUCTS⁴

Events & Awareness

 **89%**

CONSUMER AWARENESS

 **16.5M**

MEDIA IMPRESSIONS

15

MEDIA
CHANNELS TO
EDUCATE PUBLIC

3

ELEMENTARY
SCHOOL RECYCLING
CHALLENGES

11,215 kg

COLLECTED AT EVENTS

38

EVENTS,
ACROSS

4

REGIONAL
DISTRICTS

1

REPAIR EVENT
ATTENDED

³ Unlike regular products, these very large products are not managed through the Program's recycling process, but are managed as scrap metal by a number of contracted collection sites.

⁴ 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's committed to 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 and/or recovery.

To ensure collected products are responsibly managed, **CESA's processors must adhere to the Electronics Product Stewardship Canada (EPSC) Electronic Recycling Standard**, the industry standard for like-products (e.g. electrical, electronic and battery-operated). The EPSC Electronic Recycling Standard defines the minimum requirements for handling end-of-life electronics and contains mandatory environmental, occupational health and safety, as well as material handling requirements. Given that CESA accepts a wide variety of more than 400 products, materials are reported out by commodity only, and not by product type or component.

In 2020, CESA contracted two processors to process collected materials—more than 94% of materials were recycled to create new items.





CONSOLIDATED FINANCIALS

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 2020, 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 2020, and its results of 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.



CONSOLIDATED FINANCIALS

(CONTINUED)

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.



Assets

	2020	2019
Current		
Cash	\$872,893	\$1,484,899
Accounts receivable (Note 3)	\$1,649,247	\$1,080,680
GST/HST receivable	\$136,798	\$204,865
Prepaid expenses	\$109,771	\$25,776
	\$2,768,709	\$2,796,220
Internally restricted investments (Note 5)	\$14,028,183	\$13,139,594
Long-term investments (Note 6)	\$6,035,460	\$5,697,938
Equipment (Note 4)	\$38,532	—
	\$22,870,884	\$21,633,752

Liability

	2020	2019
Current		
Accounts payable and accrued liabilities	\$1,619,301	\$1,262,097
Commitments (Note 7)		

Net assets

	2019	2018
Unrestricted	\$7,223,400	\$7,232,061
Internally restricted — Reserve Fund (Note 9)	\$14,028,183	\$13,139,594
	\$21,251,583	\$20,371,655
	\$22,870,884	\$21,633,752



Statement of Changes in Net Assets

	Unrestricted	Internally Restricted Reserve Fund	Total 2020	Total 2019
Balance - Beginning of Year	\$7,232,061	\$13,139,594	\$20,371,655	\$19,860,749
Excess (deficiency) of revenues over expenses for the year	\$879,928	—	\$879,928	\$510,906
Fund transfer — Reserve Fund (Note 9)	(\$888,589)	\$888,589	—	—
Balance — End of Year	\$7,223,400	\$14,028,183	\$21,251,583	\$20,371,655

Statement of Operations

	2020	2019
Revenues (Note 8)	\$6,691,481	\$5,993,653
Expenses		
Collection, transportation and processing	\$5,405,504	\$5,308,766
Administration	\$1,276,708	\$1,321,768
Communications	\$357,473	\$495,717
Amortization	\$6,800	—
	\$7,046,485	\$7,126,251
Deficiency of revenues over expenses from operations	(\$355,004)	(\$1,132,598)
Other income (expenses)		
Unrealized gain (loss) on market value of investments	\$781,143	(\$1,027,799)
Investment income	\$520,914	\$683,170
Investment management fees	(\$67,125)	(\$67,465)
	\$1,234,932	\$1,643,504
Excess of revenues over expenses for the year	\$879,928	(\$510,906)



Statement of Cash Flows

	2019	2018
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$879,928	\$510,906
Item not involving cash		
Amortization	\$6,800	—
Unrealized (gain) loss on market value of investments	(\$781,143)	(\$1,027,799)
	\$105,585	(\$516,893)
Changes in non-cash working capital balances		
Accounts receivable	(\$568,567)	\$131,225
GST/HST receivable	\$68,067	(\$66,627)
Prepaid expenses	(\$83,995)	(\$2,178)
Accounts payable and accrued liabilities	\$357,205	\$78,221
	(\$121,705)	(\$376,252)
Investing activities		
Purchase of equipment	(\$45,331)	—
Purchase of long-term investments — net	(\$139,356)	\$816,997
Transfer to Reserve Fund	(\$305,614)	(\$423,904)
	(\$490,301)	\$393,093
Net increase (decrease) in cash	(\$612,006)	\$16,841
Cash — beginning of year	\$1,484,899	\$1,468,058
Cash — end of year	\$872,893	\$1,484,899



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) EQUIPMENT

Equipment is recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the equipment over its estimated useful life. The annual amortization rate is as follows: Vehicles, 3 years



(D) 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 except for investments in equity investments that are quoted in an active market and investments in other securities, which are measured at fair value. Changes in fair value are recognized in the statements of operations.

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.

(E) 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. Summary of significant accounting policies

	2020	2019
Accounts receivable	\$1,685,668	\$1,114,909
Allowance for doubtful accounts	(\$36,421)	(\$34,229)
	\$1,649,247	\$1,080,680

During the year, the Association recorded bad debt expense of \$6,617 (2019 - \$5,930) that have been included in administration expense.



4. Equipment

	Cost	Accumulated Amortization	2020 Net	2019 Net
Vehicles	\$45,331	\$6,799	\$38,532	—

5. 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 9):

	2020 Market	2020 Cost	2019 Market	2019 Cost
Cash equivalents	\$793,890	\$793,890	\$691,575	\$691,575
Fixed income	\$9,392,480	\$9,188,958	\$9,098,969	\$9,070,972
Equity	\$3,841,813	\$2,782,016	\$3,349,050	\$2,700,667
	\$14,028,183	\$12,764,864	\$13,139,594	\$12,463,214

6. Long-term investments

	2020 Market	2020 Cost	2019 Market	2019 Cost
Cash equivalents	\$323,135	\$323,135	\$303,796	\$303,796
Fixed income	\$4,366,706	\$4,283,529	\$4,185,650	\$4,159,982
Equity	\$1,345,619	\$994,200	\$1,208,492	\$1,004,033
	\$6,035,460	\$5,600,864	\$5,697,938	\$5,467,811

7. Commitments

The Association has a lease agreement for its office premises that will expire on 31 March 2022. The minimum annual payments required by the lease are as follows:

2021	\$8,700
2022	\$600
	\$9,300



8. Revenues

Revenues from EHF are comprised of the following amounts:

	2020	2019
EHF revenue — current year	\$6,604,813	\$5,900,454
EHF revenue — back fees	\$86,668	\$93,199
	\$6,691,481	\$5,993,653

9. Reserve Fund

Revenues from EHF are comprised of the following amounts:

- (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 5).

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 5). 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, \$888,589 (2019 - \$1,102,604) 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 2020.

(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% (2019 - 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.

(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.

10. Impact of COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Association's primary source of revenue is derived from Environmental Handling Fees charged to its members on the sale of approved program products which are dependant on the members' ongoing business operations. Additionally, the Association's operating expenses are largely comprised of the costs of collection, transportation and processing of program products as these are returned to the Association for recycling and proper disposal. During the year, the Association continued to receive revenue from Environmental Handling Fees as charged to its members. The Association did experience disruption in its collection and processing activities at various points during the year due to regional COVID-19 restrictions. At the date of the Independent Auditors' Report, the Association's management has been unable to determine the impact of the COVID-19 pandemic on future revenues, expenses and operations.