CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2011 AND 2010

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Financial Statements
For the years ended 31 December 2011 and 2010

Contents

1400 – 900 West Hastings Street
Vancouver, B.C. V6C 1E3
Telephone: 604-684-1101 Fax: 604-684-7937
E-mail: admin@rolfebenson.com

INDEPENDENT AUDITORS' REPORT

To the Members,
Canadian Electrical Stewardship Association

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Electrical Stewardship Association, which comprise the statements of financial position as at 31 December 2011 and 2010, and the statements of changes in net assets and operations for the years 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 generally accepted accounting principles, 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 organization'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 organization'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT - Continued

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 2011 and 2010, and the results of its operations for the years then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
15 June 2012

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Statements of Financial Position
31 December 2011 and 2010

		2011		2010
Assets				
Current				
Cash	$	**369,608**	$	-
Accounts receivable		**3,013,553**		-
Prepaid expenses		**21,946**		-
GST receivable		**-**		8,585
	$	**3,405,107**	$	8,585
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**1,071,401**	$	74,625
GST payable		**251,969**		-
		1,323,370		74,625
Net Assets				
Unrestricted		**2,081,737**		(66,040)
	$	**3,405,107**	$	8,585

APPROVED BY THE DIRECTORS:

_______________________ Director _______________________ Director

The accompanying notes are an integral part of these financial statements.

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Statements of Changes in Net Assets
For the years ended 31 December 2011 and 2010

	2011	2010
Balance - beginning of year	$ (66,040)	$ -
Excess (deficiency) of revenues over expenses for the year	2,147,777	(66,040)
Balance - end of year	$ 2,081,737	$ (66,040)

The accompanying notes are an integral part of these financial statements.

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CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Statements of Operations
For the years ended 31 December 2011 and 2010

	2011	2010
Revenues	$ 3,771,862	$ -
Expenses		
Program administration	719,165	66,040
Communications	324,903	-
Collection and transportation	258,022	-
Processing	240,053	-
Collection supplies	81,942	-
	1,624,085	66,040
Excess (deficiency) of revenues over expenses for the year	$ 2,147,777	$ (66,040)

The accompanying notes are an integral part of these financial statements.

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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. As such, 2010 includes only 10 months of operations. The Association is a not-for-profit organization and it is not subject to income taxes.

The establishment of the Association is pursuant to legislation passed by the BC Ministry of Environment which requires the recycling of small appliances.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Revenue recognition

Revenue from recycling fees is recognized at the time a recycling fee applicable product is sold by a member of the Association, and the recycling fee becomes due and payable.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from these estimates.

(c) Future changes in accounting policies

Changes in accounting framework

The Association is classified as a not-for-profit organization. The Association will be required to adopt a new accounting framework and the options are Canadian Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards (IFRS), effective for fiscal years beginning on or after 1 January 2012. The Association is in the process of reviewing the potential impact of these two accounting standards on its reporting framework and financial statements.

3. Management of capital

The Association considers its capital to be its unrestricted net assets. The Association's objective to managing its net assets is to remain a sustainable operation while fulfilling its overall mandate of product stewardship for small appliances as required by the BC Ministry of Environment. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating budgets. When necessary, the Association takes appropriate action to reduce expenditures or curtail programs when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

4. Financial instruments

The Association has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments – Presentation" which would otherwise have applied to the financial statements for the year ended 31 December 2011. The Association applies the requirements of Section 3861 of the CICA Handbook.

(a) Fair value

Cash is classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities and are measured at their carrying amounts since it is comparable to their fair value due to the approaching maturity of these financial instruments.

(b) Credit risk

The Association's financial instruments that are exposed to concentrations of credit risk consist of 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.

(c) Financial risk

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or other risks arising from these financial instruments.

5. Statement of cash flows

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements.