



Independent practitioner’s reasonable assurance report on Canadian Electrical Stewardship Association Annual Report to the Director of Extended Producer Responsibility Programs at the Ministry of the Environment, Government of British Columbia

To: The Directors of Canadian Electrical Stewardship Association

We have undertaken a reasonable assurance engagement of the following information (the subject matter) of Canadian Electrical Stewardship Association (CESA), detailed in Exhibit A, presented in the 2021 Annual Report (the “Report”) to the Director of Extended Producer Responsibility Programs at the Ministry of Environment, Government of British Columbia (“MOE”) as hosted on the CESA website¹ for the year ended December 31, 2021:

- the location of collection facilities and any changes in the number and location of collection facilities from the prior year in accordance with Section 8(2)(b) of the British Columbia Regulation 449/2004 Recycling Regulation (the “Recycling Regulation”);
- the description of how recovered product was managed in accordance with the pollution prevention hierarchy in accordance with Section 8(2)(d) of the Recycling Regulation; and
- the total amount of the producers’ product collected for the period from January 1 to December 31, 2021 in accordance with Section 8(2)(e) of the Recycling Regulation.

Management’s responsibility

Management is responsible for the preparation of the subject matter in accordance with the sections 8(2)(b), 8(2)(d) and 8(2)(e) established in the British Columbia Regulation 449/2004 Recycling Regulation, and the interpretation of the criteria as set out in Exhibit A (together, the criteria). Management is also responsible for such internal control as management determines necessary to enable the preparation of the subject matter that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a reasonable assurance opinion on the subject matter based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3000, Attestation Engagements Other than Audit or Reviews of Historical Financial Information. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the subject matter is free from material misstatement.

¹ The maintenance and integrity of the CESA website (<http://www.electrorecycle.ca/stewards/resources/>) is the responsibility of CESA; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP accepts no responsibility for any changes that may have occurred to the reported information or criteria since they were posted on the website.



Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard 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 decisions of users of our report. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the preparation of the subject matter in accordance with the applicable criteria.

Our reasonable assurance procedures included, but were not limited to the following:

- making enquiries of management and senior executives to obtain an understanding of the overall governance and internal control environment and risk management processes relevant to the management and reporting of CESA's Annual Report to the Director;
- analytical reviews and trend analysis of reported data in relation to sections 8(2)(b), 8(2)(d) and 8(2)(e);
- testing the processes, documents and underlying data on a sample basis;
- recalculating quantitative data on a sample basis as it pertains to the subject matter information; and
- evaluating the presentation and disclosure of the subject matter information in the Annual Report to the Director.

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

Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, Canadian Electrical Stewardship Association's subject matter information for the year ended December 31, 2021 is prepared, in all material respects, in accordance with the applicable criteria.



Emphasis of matter

We draw your attention to Exhibit B, which describes why certain items required by the Assurance Requirements have been excluded. Our opinion is not modified in respect of this matter.

Purpose of statement and restriction on use of our report

The subject matter has been prepared in accordance with the applicable criteria to report to the MOE Director, Extended Producer Responsibility. As a result, the subject matter may not be suitable for another purpose. Our report is intended solely for the use of CESA. We neither assume nor accept any responsibility or liability to any third party in respect of this assurance report.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Toronto, Ontario
June 24, 2022



Exhibit A

1. The location of collection facilities, and any changes in the number and location of collection facilities from the previous report as presented on pages 3, 4, 7, 15, 16, 25, and Appendix B of CESA's 2021 Annual Report to the Director.

Result:

The number of collection facility locations as at December 31, 2021 is 248. During the year, 4 contracted collection sites were added, and 3 collection facilities closed.

Reference: Pages 3, 4, 7, 15, 16, 25 and Appendix B of CESA's 2021 Annual Report to the Director.

Method of reporting:

- Reporting Period: January 1 to December 31, 2021.
- The number of Collection Facilities is reported on the basis of the number of Collection Facilities that have signed contracts with Product Care Association (PCA) during the reporting year including those that accept "regular" products and/or "very large items".
- The number of Collection Facilities and the location of each facility are documented in PCA's Access database. Collection Facilities are entered into the database as of the date of the contract.
- The changes in number and location of Collection Facilities are calculated by summing the Collection Facilities that have signed contracts within a given reporting year and those that closed within that year. This value is then compared to the difference in total number of collection facilities reported and the equivalent data from the prior year.

Definitions:

- "Collection Facilities" are centres that have a signed contract as of December 31, 2021 with PCA for the collection of Program Products during the reporting year and may include the following types of centres:
 - Retailers;
 - Recycling Organizations (both for profit and non-profit);
 - Local government recycling centres or transfer stations; or
 - Other associations or businesses.
- "Program Products" are all products included in the program as listed in the currently approved product stewardship plans dated June 22, 2018 (plan is in effect until August 7, 2023). CESA defines two streams of products included in the program in sourcing collection facilities: "regular" and "very large items." Products that are considered "very large items" include treadmills, elliptical trainers, stationary cycling machines (Category 16) and large, free-standing power tools with built-in stands (select products in Category 14). All other products are considered "regular."



2. The description of how recovered product was managed in accordance with the pollution prevention hierarchy in accordance with 8(2)(d) of the Recycling Regulation as presented on page 18 of CESA's 2021 Annual Report to the Director.

Result:

The contents of Table 6: Percentage of Total Tonnage Processed by Material Commodity in 2021.

Material Commodity	Reuse	Recycle	Recovery	Landfill	% of Total Tonnage Processed	Downstream Process
Ferrous Steel		X			48.4%	Production, Processing, Non-processing
Plastics		X			27.1%	Processing
Aluminum		X			2.5%	Production, Processing, Non-processing
Wire and Cables and String lights		X			5.9%	Refining, Non-processing
Copper		X			3.9%	Processing, Refining
Glass		X			1.2%	Processing, Non-Processing
Circuit Boards		X			3.8%	Refining
Refuse			X	X	5.1%	Other final disposition
Rechargeable Batteries	X	X			1.3%	Processing, Non-Processing, Reuse
Paper Based Materials		X			0.1%	Processing
Non Rechargeable Batteries	X	X			0.3%	Reuse, Processing, Non-Processing, Refining
Heating Oil	X	X	X	X	0.4%	Processing, Recovery, Reuse, Landfill

Reference: Page 18 of CESA's 2021 Annual Report to the Director.



2. The description of how recovered product was managed in accordance with the pollution prevention hierarchy in accordance with 8(2)(d) of the Recycling Regulation as presented on page 18 of CESA's 2021 Annual Report to the Director.

Method of reporting:

- Reporting Period: January 1 to December 31, 2021.
- The downstream material flows are based on information from the Recycler Qualification Program-approved processor's scope of approved materials and processes documents.
- The expected end-of-fate of materials are provided by Recycler Qualification Program-approved processors.

Definitions:

- The Pollution Prevention Hierarchy includes the following:
 - “Reuse” includes any operation by which end-of-life (EOL) products or materials intended for disposal are used again for the same or similar purpose for which they were originally conceived.
 - “Recycle” includes any operation by which EOL products or materials are reprocessed into new products, materials, or substances (solids, liquids, or gases), whether for original or other purposes, to replace virgin equivalents of that material. This includes biological processes like anaerobic digestion and composting that produce a nutrient amendment.
 - “Recovery” relates to material or energy recovery. Material recovery is any operation by which EOL products or materials are reprocessed but lose their functionality as a replacement for virgin equivalents of that material, such as fill or landfill cover. Energy recovery is any operation which converts (EOL) products or materials into useable energy in the form of heat, electricity, or fuel but causes them to lose their functionality as a replacement for virgin equivalents of that material. This would include landfill gas capture systems but only for the proportion of inbound material that is biogenic.
 - “Landfill” includes any products not captured in the three streams above. It is the final destination of EOL products or materials that are deposited under controlled conditions, on or into land, and are covered with soil or other fill materials at regular intervals.
- “End fate” is defined as final processed state of each material commodity before reuse in another product or shipment to landfill.



3. The total amount of the producer's product sold and collected and the recovery rate as presented on pages 4, 5, and 20 of CESA's 2021 Annual Report to the Director.

Results:

An estimate of 5,370,327 kg of regular CESA products were collected between January 1 and December 31, 2021.

Reference: Pages 4, 5, and 20 of CESA's 2021 Annual Report to the Director.

Method of reporting:

- Reporting Period: January 1 to December 31, 2021.
- Quantification of Product Collected is based on an estimated portion of the weight of "regular" products collected at the Collection Facilities.
- These reports are generated by the primary processor(s) who receive commingled CESA Program Products and Program Products from two programs, LightRecycle and Electric Outdoor Power Equipment (OPEIC) in addition to other waste.
- The estimate of CESA's portion of the collected material is based on monthly sample reports of collection material processed by each processor. The sampling data received from each processor was extrapolated to determine the proportion of CESA products collected versus the proportion of LightRecycle and OPEIC products collected in each particular month. This percentage is applied to the weight of every pick-up from contracted collection facilities during that month.
- The "other waste" is included in the total weight being split between the two programs as the program retains responsibility for disposing of it.
- These collected weights, now adjusted for LightRecycle and OPEIC tonnage, are then summed to provide the total weight of CESA products collected, as reported by the program's consolidation facilities, by Regional District, or for the province as a whole.
- "Very large items" are not managed through the program's recycling process and are therefore not included in the total weight of Product Collected or the breakdown of collection by region.
- The majority of collection facilities submit monthly unit-based tracking forms to PCA with the number of very large products collected but not their weights.
- Products Collected are reported by weight broken down by region (based on location of Collection Facility).
- If the conversion of weight to units is conducted, conversion factors used for converting weight to number of units are based on industry provided information per fee category.



3. The total amount of the producer's product sold and collected and the recovery rate as presented on pages 4, 5, and 20 of CESA's 2021 Annual Report to the Director.

Definitions:

- "Program Products" are all products included in the program as listed in the currently approved product stewardship plans dated June 22, 2018. CESA defines two streams of products included in the program in sourcing collection facilities: "regular" and "very large items." Products that are considered "very large items" include treadmills, elliptical trainers, stationary cycling machines (Category 16) and large, free-standing power tools with built-in stands (select products in Category 14). All other products are considered "regular."
- "Product Collected" is the amount of all regular Program Products collected at Collection Facilities in British Columbia.



Exhibit B

CESA has not reported the recovery rate for the year in accordance with 8(2)(e) of the Recycling Regulations for the year ended December 31, 2021 as the approved stewardship plan does not outline the requirement to report recovery rates. If the stewardship program does not report a recovery rate in the approved plan, assurance for producers' product sold data is not required as outlined in the Assurance Requirements.

CESA has not reported its performance for the year in relation to approved targets in their approved stewardship plans under 8(2)(b), (d) and (e) in accordance with 8(2)(g) of the Recycling Regulation for the year ended December 31, 2021 as CESA is not required to report this to the Director as there are no targets set in the approved stewardship plan for these sections applicable to the reporting year.

**CANADIAN ELECTRICAL
STEWARDSHIP ASSOCIATION**

FINANCIAL STATEMENTS

31 DECEMBER 2021

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Financial Statements

For the year ended 31 December 2021

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INDEPENDENT AUDITORS' REPORT

To the Members,
Canadian Electrical Stewardship Association

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 2021, 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 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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.

INDEPENDENT AUDITORS' REPORT - 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.

INDEPENDENT AUDITORS' REPORT - Continued

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.

Rolfe Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
25 May 2022

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Statement of Financial Position
31 December 2021

	2021	2020
Assets		
Current		
Cash	\$ 1,313,369	\$ 872,893
Accounts receivable (Note 3)	1,655,995	1,649,247
GST/HST receivable	68,660	136,798
Prepaid expenses	72,110	109,771
	3,110,134	2,768,709
Internally restricted investments (Note 5)	14,848,618	14,028,183
Long-term investments (Note 6)	5,814,285	6,035,460
Tangible capital asset (Note 4)	29,969	38,532
	\$ 23,803,006	\$ 22,870,884

Liability

Current		
Accounts payable and accrued liabilities	\$ 1,492,349	\$ 1,619,301

Commitments (Note 7)

Net Assets

Unrestricted	7,462,039	7,223,400
Internally restricted - Reserve Fund (Note 9)	14,848,618	14,028,183
	22,310,657	21,251,583
	\$ 23,803,006	\$ 22,870,884

APPROVED BY THE DIRECTORS:

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Statement of Changes in Net Assets
For the year ended 31 December 2021

	Unrestricted	Internally Restricted - Reserve Fund	Total 2021	Total 2020
Balance - beginning of year	\$ 7,223,400	\$ 14,028,183	\$ 21,251,583	\$ 20,371,655
Excess of revenues over expenses for the year	1,059,074	-	1,059,074	879,928
Fund transfer - Reserve Fund (Note 9)	(820,435)	820,435	-	-
Balance - end of year	\$ 7,462,039	\$ 14,848,618	\$ 22,310,657	\$ 21,251,583

The accompanying notes are an integral part of these financial statements

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION**Statement of Operations**

For the year ended 31 December 2021

	2021	2020
Revenues (Note 8)	\$ 7,522,728	\$ 6,691,481
Expenses		
Collection, transportation and processing	6,073,160	5,405,504
Administration	1,149,878	1,276,708
Communications	340,620	357,473
Amortization	8,563	6,800
	<u>7,572,221</u>	<u>7,046,485</u>
Deficiency of revenues over expenses from operations	(49,493)	(355,004)
Other income (expense)		
Interest	605,251	520,914
Unrealized gain on market value of investments	574,810	781,143
Management fees	(71,494)	(67,125)
	<u>1,108,567</u>	<u>1,234,932</u>
Excess of revenues over expenses for the year	\$ 1,059,074	\$ 879,928

The accompanying notes are an integral part of these financial statements

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION**Statement of Cash Flows**
For the year ended 31 December 2021

	2021	2020
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 1,059,074	\$ 879,928
Items not involving cash		
Amortization	8,563	6,800
Unrealized gain on market value of investments	<u>(574,810)</u>	<u>(781,143)</u>
	492,827	105,585
Changes in non-cash working capital balances		
Accounts receivable	(6,748)	(568,567)
GST/HST receivable	68,138	68,067
Prepaid expenses	37,661	(83,995)
Accounts payable and accrued liabilities	<u>(126,953)</u>	<u>357,205</u>
	<u>464,925</u>	<u>(121,705)</u>
Investing activities		
Purchase of tangible capital asset	-	(45,331)
Proceeds on disposal (purchase) of long-term investments - net	350,730	(139,356)
Transfer to Reserve Fund	<u>(375,179)</u>	<u>(305,614)</u>
	<u>(24,449)</u>	<u>(490,301)</u>
Net increase (decrease) in cash	440,476	(612,006)
Cash - beginning of year	<u>872,893</u>	<u>1,484,899</u>
Cash - end of year	<u>\$ 1,313,369</u>	<u>\$ 872,893</u>

The accompanying notes are an integral part of these financial statements

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

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.

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

2. Summary of significant accounting policies - Continued

(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) Tangible capital asset

The tangible capital asset is recorded at cost. The Association provides for amortization using the straight-line method at a rate designed to amortize the cost of the tangible capital asset over its estimated useful life. The annual amortization rate is as follows:

Vehicle	5 years (2020 - 3 years)
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During the year, the Association increased the estimated useful life of the vehicle from 3 years to 5 years. The related change in amortization expense has been accounted for prospectively in these financial statements.

(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.

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

2. Summary of significant accounting policies - Continued

(d) Financial instruments - Continued

(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. Accounts receivable

	2021	2020
Accounts receivable	\$ 1,700,532	\$ 1,685,668
Allowance for doubtful accounts	(44,537)	(36,421)
	\$ 1,655,995	\$ 1,649,247

During the year, the Association recorded bad debt expense of \$7,517 (2020 - \$6,617) that has been included in administration expense.

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

4. Tangible capital asset

	Cost	Accumulated Amortization	2021 Net	2020 Net
Vehicle	\$ 45,331	\$ 15,362	\$ 29,969	\$ 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):

	2021 Market	2021 Cost	2020 Market	2020 Cost
Cash equivalents	\$ 901,683	\$ 901,683	\$ 793,890	\$ 793,890
Fixed income	9,162,333	9,123,317	9,392,480	9,188,958
Equity	4,784,602	3,125,661	3,841,813	2,782,016
	\$ 14,848,618	\$ 13,150,661	\$ 14,028,183	\$ 12,764,864

6. Long-term investments

	2021 Market	2021 Cost	2020 Market	2020 Cost
Cash equivalents	\$ 283,397	\$ 283,397	\$ 323,135	\$ 323,135
Fixed income	3,851,927	3,865,109	4,366,706	4,283,529
Equity	1,678,961	1,104,342	1,345,619	994,200
	\$ 5,814,285	\$ 5,252,848	\$ 6,035,460	\$ 5,600,864

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

7. Commitments

The Association has a lease agreement for its office premises that will expire on 31 March 2023. The minimum annual payments required by the lease are as follows:

2022	\$ 2,400
2023	<u>600</u>
	<u>\$ 3,000</u>

8. Revenues

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

	<u>2021</u>	<u>2020</u>
EHF revenue - current year	\$ 7,429,444	\$ 6,604,813
EHF revenue - back fees	<u>93,284</u>	<u>86,668</u>
	<u>\$ 7,522,728</u>	<u>\$ 6,691,481</u>

9. 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.

CANADIAN ELECTRICAL STEWARDSHIP ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2021

9. 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 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, \$820,435 (2020 - \$888,589) was transferred from the unrestricted fund to the Reserve Fund.

10. 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 2021.

(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. Management is of the opinion that the risk is not material due to the Association's 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.

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10. Financial instruments - Continued

(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 9% (2020 - 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.

11. 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. The Association's management has completed an independent third party study to estimate the impact of the COVID-19 pandemic on 2020-21 revenues and associated future expenses.