

Working together for a  
made-in-Saskatchewan solution.

# COLLABORATE



# About Multi-Material Stewardship Western

Multi-Material Stewardship Western (MMSW) began operations on January 1, 2016, to help businesses meet their obligations under Saskatchewan's Household Packaging and Paper Stewardship Program Regulation. A not-for-profit organization based in Saskatoon, MMSW represents the steward members who provide financing for the delivery of recycling services for Waste Packaging and Paper (WPP) to Saskatchewan residents.

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# 2018 Highlights

The program's key performance metrics were fairly steady compared with the previous year. While tonnes collected and per capita increased, the recovery rate decreased slightly because the tonnes of material supplied by stewards increased at a higher rate than collected tonnes.



Recovery Rate  
**70.1%**

MMSW Program Households  
**82.2%**



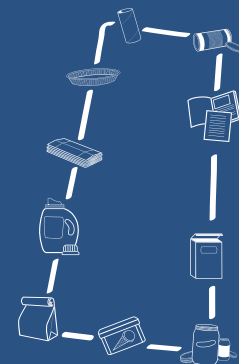
Tonnes Collected  
**42,352**

Kg/capita Collected  
**49.7**



## Working Together for a Made-in-Saskatchewan Approach

In its third year of operation MMSW continued to work in partnership with 501 municipalities, regional waste authorities and First Nations communities to support the delivery of efficient and effective recycling services in the province. In 2018, the MMSW Advisory Committee participated in a process to develop a new funding model that ensures Saskatchewan-specific supply chain costs are considered in the payment structure. The new structure increased payments to collectors at the beginning of 2019.



# Message to Stakeholders



It was again my honour to serve as Chair of the Board of Multi-Material Stewardship Western in 2018 and to oversee the tremendous work undertaken by staff and the Advisory Committee to advance the work of the organization.

2018 marked a significant milestone in the evolution of the program – most notably the development of Saskatchewan-based supply chain costs. This was an important achievement in that our collection partners, with whom we work to deliver recycling services to Saskatchewan residents, now receive payments for their services based upon Saskatchewan-specific costs. Payments for recycling services to local governments had not increased since the program's inception and had been based on the Manitoba experience as limited Saskatchewan data was available when the program was launched.

The new payment model was approved by the MMSW Board of Directors at its June 2018 meeting and was effective January 1, 2019. The model will be in effect for two years and further cost analyses will be undertaken in 2019 and early 2020 to ensure the payment model remains current. As a result of the increases in per household payments to collectors as well as in payments to depot operators, direct material management costs in the 2019 budget are increasing by approximately \$4.5 million compared with 2018. Fee rates paid by stewards increased accordingly.

The work of developing Saskatchewan costs could not have been accomplished without the input of the Advisory Committee, which represents a diverse group of stakeholders including urban and rural municipalities, regional waste management authorities, the Saskatchewan Waste Reduction Council and stewards of residential waste packaging and paper. The Committee provided valuable input and guidance to determine the operational definitions for efficient and effective recycling of WPP in Saskatchewan. These individuals gave generously of their time and expertise and MMSW is grateful for their dedication to this

important task. We also appreciate the cooperation of the municipalities, regional waste authorities and First Nations communities who provided the data necessary to develop the updated payment model.

MMSW is committed to ensuring residents have the recycling information they need. Not only do we work closely with our collectors to support resident outreach and education, we continue to connect with Saskatchewan residents who access the recycling services in their communities via our website and social media. Through their education and engagement, MMSW can achieve its recovery and recycling rate objectives.

2018 was also a year when the world seemed to wake up to the impact plastic wastes are having on the environment. This ubiquitous material, upon which we depend for literally thousands of uses, is causing havoc in ways we never imagined. Not only is it littering the landscape and showing up in our lakes and rivers, we are now also beginning to understand potential impacts on human health. Needless to say, action at the global, regional and local levels accelerated in 2018 and continues in 2019. It is going to take efforts from many sectors and many different approaches to solve the plastics 'crisis' and an important part of the solution is ensuring that the necessary infrastructure is in place that allows consumers to dispose of plastics in a responsible manner.

To help assess our progress, MMSW is working alongside its municipal partners to track and report collection of WPP in the province and assist our collection partners with end-of-life reporting.

The steward community is dedicated to the responsible management of its materials and acknowledges that it takes broad cooperation to deliver this outcome. This annual report outlines how the interested parties came together and our collective progress toward the common goal of delivering an efficient and effective recycling system for the people of Saskatchewan.

*John Coyne, Board Chair*



# Program Overview

## Working With Our Members

MMSW members include those organizations that supply materials designated in the Household Packaging and Paper Stewardship Program Regulation to Saskatchewan residents. Through their financial contributions, they support the work of municipalities, regional waste authorities and First Nations communities in delivering recycling services to residents of the province.

By assuming a portion of the financial responsibility for the recovery of their packaging and/or products, producers are incented to take measures to reduce the environmental impact of these materials. Producers do this in a number of ways.

In 2018, for many organizations the focus was on addressing the impact of plastics on the environment. Many global companies that supply packaging and products in Saskatchewan accelerated this work and have made commitments to address problematic and hard-to-manage plastics. Many of these companies are part of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment in which companies have pledged to increase the use of recycled plastics and ensure all of their plastic packaging is recyclable, reusable or compostable by 2025. In addition, innovative models are emerging to provide consumers with alternate packaging options such as refills, concentrates and even package-free options.

Investments in new technologies and innovations to address the plastics crisis are being fast-tracked. Saskatchewan residents will see these improved packaging options come to the marketplace as global companies roll out these innovations in Canada. Producers bear responsibility for providing better or reduced plastic options to consumers but also count on consumers to make informed purchasing choices and proper recycling decisions.

## Working With Service Providers

MMSW works with over 500 municipalities, First Nations communities and regional waste authorities to provide payment for recycling services based on a 60% capture rate of the materials reported by MMSW stewards. Under these service agreements, residential recycling of WPP is provided to 82% of Saskatchewan households.

During 2018, the model used by MMSW to determine payments to collectors was updated and is no longer based on Manitoba costs. Thanks to the work of the MMSW Advisory Committee, the payment model makes an important step toward Saskatchewan-specific supply chain costs.

Under the new model, per household (HH) payments to municipalities increase from \$11.75/HH to \$15.00/HH for collectors who provide depot services and to \$25.00/HH for those that provide curbside services (with or without depots). Service Agreements with collection partners have been updated effective January 1, 2019, to reflect the new payment model.

According to Recycle Saskatchewan, packaging and paper make up approximately 40% of household waste in Saskatchewan so it is important that all parties work cooperatively to ensure that material is diverted from landfill and captured for recycling. This cooperative action will also support the creation of a circular economy in which materials are reused indefinitely.



2018 Advisory Committee

## Working With Our Advisory Committee

The Advisory Committee is made up of representatives of urban and rural municipalities, regional waste management authorities, the Saskatchewan Waste Reduction Council and stewards of residential packaging and paper. These organizations are all invested in the success of the MMSW program and provide valuable input and advice.

The Advisory Committee played a pivotal role in 2018 in the development of an updated payment model for collectors. As required by Section 4.4.2 of the WPP Stewardship Plan, MMSW initiated the work necessary to determine Saskatchewan-specific supply chain costs.

Payments for recycling services to local governments had not increased since the program's inception and had been based on the Manitoba experience as limited Saskatchewan data was available. In early 2018, the MMSW Advisory Committee guided development of a payment model based on a PwC survey of reported Saskatchewan costs and supply-chain expenses. The new payment model was approved by the MMSW Board of Directors at its June 2018 meeting and became effective January 1, 2019.

The following individuals served on the Advisory Committee in 2018:

- **Keith Matheson**, Chair, Association of Regional Waste Management Authorities
- **Cheryl Coleman**, Senior Tax Manager, Federated Co-operatives Limited
- **Julie Dickson**, Director, Public Affairs and Corporate Services, Save-On-Foods
- **Steven Dribnenki**, Policy & Legal Advisor, Saskatchewan Urban Municipalities Association
- **Joanne Fedyk**, Executive Director, Saskatchewan Waste Reduction Council
- **Al Heron**, Director, West Central Region, Saskatchewan Urban Municipalities Association
- **Anne Mathewson**, Administrative Assistant, Association of Regional Waste Management Authorities
- **Libbey Morin**, Policy Analyst, Saskatchewan Association of Rural Municipalities
- **Judy Harwood**, Director Division 5, Saskatchewan Association of Rural Municipalities
- **Wally Lorenz**, Chair, Association of Regional Waste Management Authorities (term ended April 2018)



### Working With Our Board of Directors

The MMSW Board of Directors represents member stewards. Board members provide their expertise and oversight to ensure the success of the MMSW program.

Members of the MMSW Board of Directors in 2018 included:

- **Debbie Baxter**, Independent Director
- **Dale Botting**, Independent Director
- **Bob Chant**, Loblaw Companies Limited (Vice Chair)
- **John Coyne**, Unilever Canada Inc. (Board Chair)

The following table summarizes board meeting attendance for 2018:

BOARD MEMBER	MARCH 28	JUNE 20	SEPTEMBER 28	DECEMBER 14
<b>Debbie Baxter</b>	Yes	Yes	Yes	Yes
<b>Dale Botting</b>	No	Yes	Yes	Yes
<b>Bob Chant</b>	Yes	No	No	Yes
<b>John Coyne</b>	Yes	Yes	Yes	No

The Finance & Audit Committee members are Debbie Baxter and Dale Botting. The committee met four times in 2018.

# Program Performance

The Saskatchewan Household Packaging and Paper Stewardship Regulation outlines performance measures that must be reported by MMSW on an annual basis. Tracking and reporting performance is important to ensuring stakeholders have the information they need to assess the performance of the program.

In 2018, MMSW conducted a pilot project with four collectors to assist them in implementing the processes that will allow them to collect the data required for MMSW to report on end-of-life for the collected materials. The successful pilot project will be

expanded to an additional 14 collectors in 2019. This will place MMSW in a position where it can collect and report on relevant end-market data for the program for future annual reports based on a proxy set of 18 MMSW collector partners in 2019's Annual Report. Going forward, collectors will continue to be added in stages to provide further data.

Recognizing that it takes time to implement these processes, the Minister of Environment has provided MMSW, by means of a waiver, permission to exclude from the 2018 Annual Report performance data that is not yet available as noted below.





	2018 PERFORMANCE	2017 PERFORMANCE	YOY DIFFERENCE %
Tonnes of WPP supplied by MMSW members	60,427 tonnes	56,629 tonnes	6.7%
Tonnes of WPP collected by municipalities	42,352 tonnes	41,254 tonnes	2.7%
Total tonnes of WPP recycled and therefore diverted from landfills by municipalities registered with MMSW	Not available	Not available	--
Recovery rate of total WPP collected by municipalities registered with MMSW as a percentage of total WPP supplied by MMSW members	70.1%	72.8%	-3.8%
For each category of WPP, total tonnes of WPP recycled and therefore diverted from municipal landfills by municipalities registered with MMSW	Not available	Not available	--
Recovery rate for each category of WPP reported by municipalities registered with MMSW as a percentage of the total of that category of packaging and paper supplied by MMSW members	Not available	Not available	--
Kilograms collected/capita	49.7	48.8	1.8%
Fees collected from members	\$7,334,513	\$7,126,756	2.9%
Funds spent to operate the program	\$4,259,592	\$4,188,444	1.7%
Funds spent to administer the program (includes both the operation and administrative costs)	\$6,040,044	\$5,770,209	4.7%
Promotion and Education	\$15,660	\$24,126	-35.1%
Resident Feedback	321 visits to the resident section of the MMSW website and 254 unique visitors. MMSW received 274 emails and 1,015 calls	326 visits to the resident section of the MMSW website and 242 unique visitors. MMSW received 384 emails and 1,567 calls	--

## 2018 Fee Rates

MMSW members pay fees based on the weight of the WPP materials supplied to Saskatchewan consumers. The below table provides rates paid for 2018, which were unchanged from 2017. Fee rates for 2019, announced in late 2018, increased by an average of 55% to finance increased payments to local governments for collection and processing services.

CATEGORY	MATERIAL	FEE RATES (CENTS/KG)
PRINTED PAPER	Newsprint	4.00
	Magazines and Catalogues	4.00
	Telephone Books	4.00
	Other Printed Paper	4.00
PAPER PACKAGING	Corrugated Cardboard	9.00
	Boxboard	9.00
	Gable Top Cartons	20.00
	Paper Laminates	20.00
	Aseptic Containers	20.00
PLASTICS	PET Containers	17.00
	HDPE Containers	17.00
	Plastic Film	27.00
	Plastic Laminates	31.00
	Polystyrene	27.00
	Other Plastics	27.00
STEEL	Other Steel Packaging	8.00
	Steel Aerosols	8.00
	Steel Paint Cans	8.00
ALUMINUM	Aluminum Food & Other Containers	19.00
	Other Aluminum Packaging	19.00
GLASS	Clear Glass	4.00
	Coloured Glass	4.00



## Low-Volume Steward Fees and Exemptions

Businesses supplying less than 1,000 kg of packaging and paper continue to be exempt from registration and reporting requirements. Exemptions also continue for businesses with less than \$2 million in revenue or that operate a single point of retail.

For 2018, the following flat fees were available to low-volume stewards:

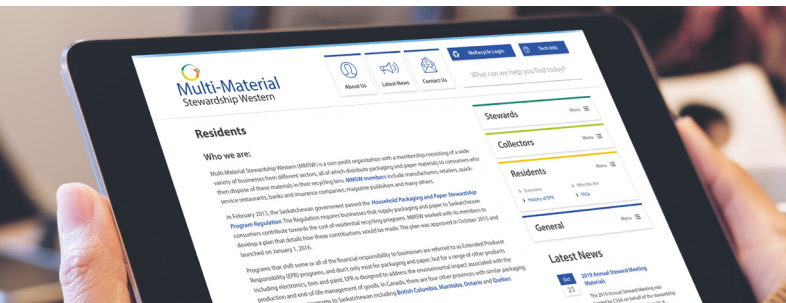
- A fee of \$220 for businesses that supply between 1,000 and 2,500 kg.
- A fee of \$460 for businesses that supply between 2,500 and 5,000 kg.

# Promotion & Education

Resident communication is important to both MMSW and its collection partners who deliver the recycling programs to Saskatchewan residents. As end-markets for recyclables demand higher standards, residents need to be kept informed about what can and cannot go in the recycling bin so that contamination can be minimized. MMSW undertakes resident promotion and education on an ongoing basis in the following ways:

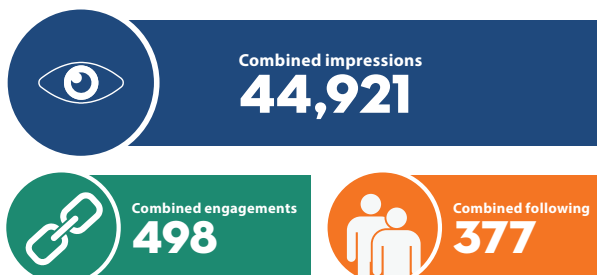
## Website

The resident section of the MMSW website continues to provide recycling information to Saskatchewan residents. The section was linked to various social media posts throughout the year, providing recent information on the MMSW program, its benefits to residents and why recycling is important.



## Social Media

In 2018, MMSW continued to promote proper waste packaging and paper recycling to residents on its Facebook and Twitter channels, as well as answer residents' recycling questions. MMSW's social following increased by 13% from 2017, while impressions and engagements remained steady.



## Research

MMSW conducted consumer research in 2018 to better understand the views and behaviours of Saskatchewan residents with respect to recycling and their level of participation in their community's WPP program. The research determined that 71% of Saskatchewan residents go out of their way in an effort to recycle, and 65% follow their collection calendar faithfully.

About 80% of residents said the availability of information about what goes in their recycling containers was good or very good, while the research also showed 50% of residents wanted more information on how to make recycling easier, specifically noting items that are not accepted in their recycling program.



Meanwhile, MMSW collectors noted in a separate survey that their top two challenges were decreasing contamination and increasing participation in recycling programs. MMSW used this information to develop free resources for collectors to customize and use for their own promotion and education efforts. Throughout the development of the resources MMSW tested the concepts with collectors and incorporated their feedback into the final designs. The resources were made available to collectors in March 2019.

# Financial Performance

## Financial Statements

For the year ended December 31, 2018

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## Independent Auditor's Report

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To the Members of Multi-Material Stewardship Western Inc.

### Opinion

We have audited the financial statements of Multi-Material Stewardship Western Inc. (the Organization), which comprise the balance sheet as at December 31, 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 Organization as at December 31, 2018, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### Auditor's 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 auditor's 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2019  
Toronto, Ontario

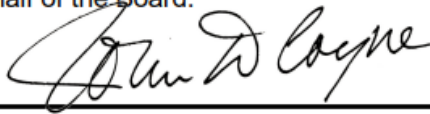
## Multi-Material Stewardship Western Inc. Balance Sheet

December 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 7,913,688	\$ 6,115,457
Accounts receivable	207,127	418,664
Prepaid expenses	15,882	16,395
	8,136,697	6,550,516
<b>Capital assets (Note 2)</b>	1,826	3,653
	\$ 8,138,523	\$ 6,554,169

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,482,234	\$ 1,366,171
Due to related parties (Note 3)	122,501	105,721
	1,604,735	1,471,892
<b>Net Assets</b>		
Invested in capital assets	1,826	3,653
Unrestricted	3,531,962	3,078,624
Internally restricted (Note 4)	3,000,000	2,000,000
	6,533,788	5,082,277
	\$ 8,138,523	\$ 6,554,169

On behalf of the Board:



Director



Director

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



## Multi-Material Stewardship Western Inc. Statement of Changes in Net Assets

**For the year ended December 31, 2018**

	Invested in Capital Assets	Unrestricted	Internally Restricted	Total
<b>Balance, beginning of year</b>	\$ 3,653	\$ 3,078,624	\$ 2,000,000	\$ 5,082,277
<b>Excess (deficiency) of revenue over expenses for the year</b>	(1,827)	1,453,338	-	1,451,511
<b>Transfer to operating reserve (Note 4)</b>	-	(1,000,000)	1,000,000	-
<b>Balance, end of year</b>	\$ 1,826	\$ 3,531,962	\$ 3,000,000	\$ 6,533,788

**For the year ended December 31, 2017**

	Invested in Capital Assets	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 5,480	\$ 1,654,281	\$ 2,000,000	\$ 3,659,761
Excess (deficiency) of revenue over expenses for the year	(1,827)	1,424,343	-	1,422,516
Balance, end of year	\$ 3,653	\$ 3,078,624	\$ 2,000,000	\$ 5,082,277

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

## Multi-Material Stewardship Western Inc. Statement of Operations

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Fee revenue	\$ 7,334,513	\$ 7,126,756
Investment income	157,044	65,969
	<u>7,491,557</u>	<u>7,192,725</u>
<b>Expenses</b>		
Material management costs (Note 5)	4,259,592	4,188,444
Program management (Note 3)	1,764,794	1,557,640
Promotion and education	15,660	24,125
	<u>6,040,046</u>	<u>5,770,209</u>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 1,451,511</b>	<b>\$ 1,422,516</b>

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

## Multi-Material Stewardship Western Inc. Statement of Cash Flows

For the year ended December 31	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 1,451,511	\$ 1,422,516
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	1,827	1,827
Changes in non-cash working capital balances:		
Accounts receivable	211,537	(322,071)
Prepaid expenses	513	2,893
Accounts payable and accrued liabilities	116,063	79,976
Due to related parties	16,780	22,806
	1,798,231	1,207,947
<b>Increase in cash during the year</b>	<b>1,798,231</b>	<b>1,207,947</b>
<b>Cash, beginning of year</b>	<b>6,115,457</b>	<b>4,907,510</b>
<b>Cash, end of year</b>	<b>\$ 7,913,688</b>	<b>\$ 6,115,457</b>

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

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# Multi-Material Stewardship Western Inc. Notes to Financial Statements

**December 31, 2018**

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## 1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

(a) Business Organization and Operations

Multi-Material Stewardship Western Inc. (the "Organization") was incorporated under The Saskatchewan Non-Profit Corporations Act, 1995 on March 5, 2010 to undertake responsibility for the stewardship of the packaging and printed paper environmental management program under provincial legislation. The Organization is a not-for-profit organization and as such is not subject to income taxes.

The Waste Packaging and Paper Stewardship Plan (the "Program Plan") was approved by the Saskatchewan Ministry of Environment in October 2015 and the program was launched January 2016.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Revenue Recognition

Fee revenue is based on reported tonnages for members with signed Membership Agreements with the Organization. Revenue is recognized when tonnage is reported, fees are received or receivable and collection is reasonably assured. Revenue arising from member reported tonnages or adjustments for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured.

(d) Financial Instruments

Unless otherwise noted, the Organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(e) Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on the following basis:

Furniture and fixtures - 5 years straight line

(f) Impairment of Long-Lived Assets

When a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

## Multi-Material Stewardship Western Inc. Notes to Financial Statements

**December 31, 2018**

### 1. Significant Accounting Policies - (Continued)

(g) 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounting estimates include the valuation of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 2. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 9,134	\$ 7,308	\$ 9,134	\$ 5,481
		\$ 1,826		\$ 3,653

### 3. Due to Related Parties and Related Party Transactions

	2018		2017	
Due to Canadian Stewardship Services Alliance Inc. ("CSSA") (i)	\$ 112,001		\$ 94,985	
Due to MMBC Recycling Inc. ("Recycle BC") (ii)		10,500		10,736
	\$ 122,501		\$ 105,721	

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## Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2018

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### 3. Due to Related Parties and Related Party Transactions - (Continued)

- (i) Effective August 30, 2013, the Organization entered into a 5 year Management Service Agreement (“MSA”) with CSSA for management services including administrative and technical support, other services and facilities for administrative, technical and reporting activities. Effective July 15, 2018, the Organization renegotiated their MSA with CSSA and entered into a new agreement to continue until December 31, 2023. During the year, charges totaling \$1,174,672 (2017 - \$1,085,549) were paid to CSSA pursuant to this contract and are included in program management expenses.

The Organization's board of directors consists of 50% (2017 - 50%) who are also members of the CSSA board of directors and CSSA has the ability to elect board members; therefore, the CSSA board of directors has control over the Organization.

- (ii) Recycle BC is a not-for-profit organization established under the Canada Not-For-Profit Corporations Act to undertake responsibility for the stewardship of the packaging and printed paper environmental management program under provincial legislation. During the year, the Organization was charged \$120,000 (2017 - \$120,000) for common management costs and is included in program management expenses.

The Organization and Recycle BC are under the common control of CSSA.

Amounts due to CSSA and Recycle BC are non-interest bearing and due on demand.

All transactions between the Organization, CSSA and Recycle BC are in the normal course of operations and are recorded at their exchange amount as agreed upon by the parties.

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### 4. Internally Restricted Net Assets

The directors have authorized the establishment of the Operating Reserve to provide for an appropriate level of working capital and to satisfy all of its obligations for a reasonable period of time. During the year, the Organization internally restricted \$1,000,000 (2017 - \$nil) for this purpose.

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### 5. Material Management Costs

Material management costs include all costs related to the collection, transportation and processing of materials managed through the program.

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## Multi-Material Stewardship Western Inc. Notes to Financial Statements

**December 31, 2018**

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### 6. Commitments

Under the terms of an operating lease agreement, the Organization is committed to pay basic rent approximately as follows:

2019	\$ <u>22,900</u>
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Subsequent to year end, the Organization is in the process of renegotiating an extension to the operating lease agreement.

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### 7. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Accounts receivable are monitored regularly for collections and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts receivable is \$nil (2017 - \$14,155).

(b) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The program operated by the Organization carries risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the program will have sufficient working capital available to meet obligations.



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