

**2019
ANNUAL
REPORT**



Multi-Material
Stewardship Western

HOME GROWN



About Multi-Material Stewardship Western

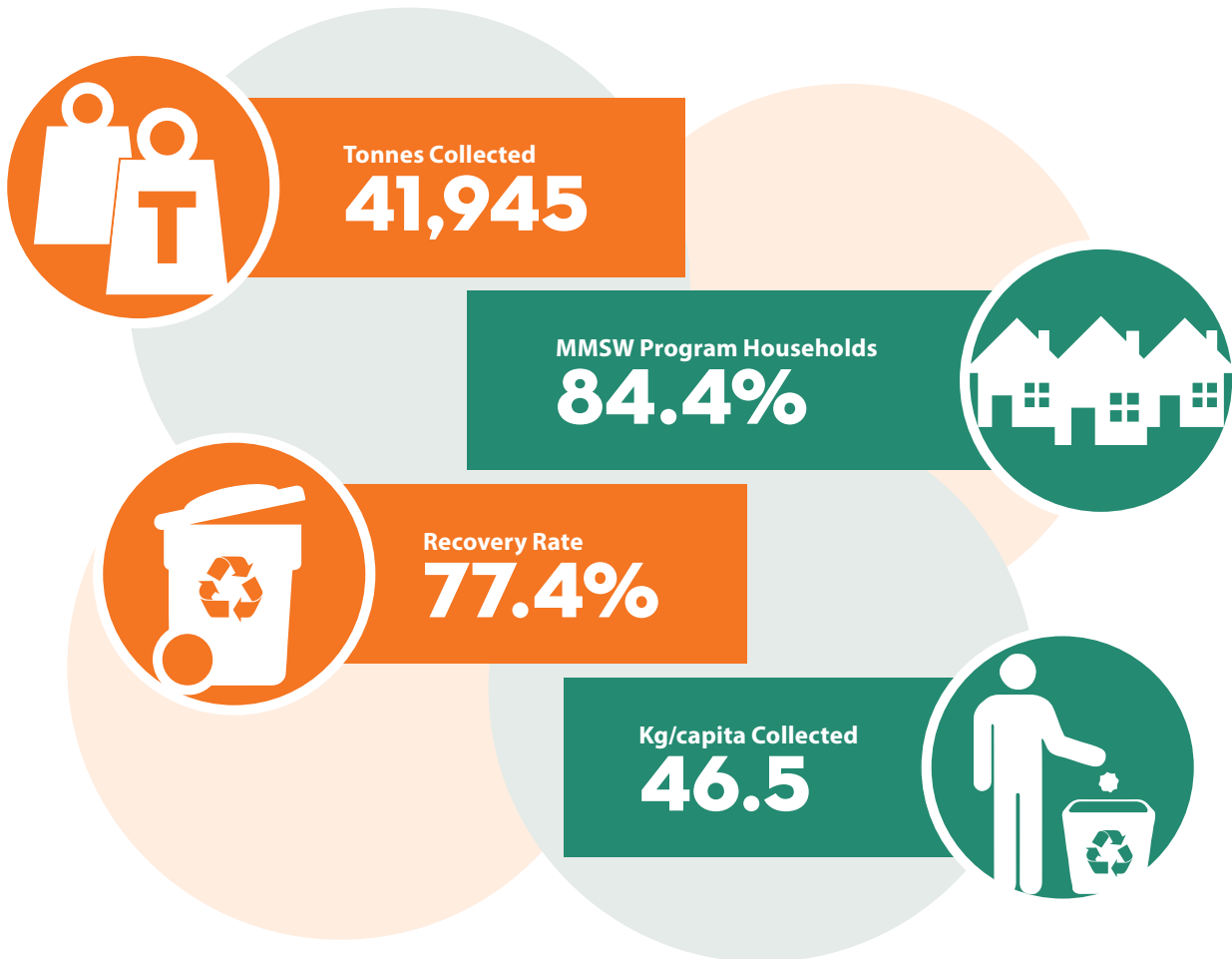
Multi-Material Stewardship Western (MMSW) is a not-for-profit organization established in 2016 to help obligated businesses meet their requirements under Saskatchewan's Household Packaging and Paper Stewardship Program Regulation. MMSW represents the steward members — including brand owners, first importers, franchisors and other organizations — that supply Waste Packaging and Paper (WPP) materials to Saskatchewan residents.

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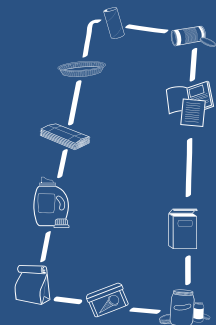
2019 Highlights

Key performance metrics for 2019 demonstrate the ongoing strong performance of the MMSW program and the continued commitment to the program by Saskatchewan residents. 2019 showed an increased recovery rate for WPP collected versus 2018, based on a steady tonnage of materials collected from households and a decrease in tonnage of materials reported by stewards.



Working Together for a Made-in-Saskatchewan Approach

In its fourth year of operation MMSW continued to work in partnership with more than 500 municipalities, regional waste authorities and First Nations communities to support the delivery of efficient and effective recycling services to the residents of Saskatchewan. The updated cost model, developed in cooperation with the MMSW Advisory Committee, was implemented for the 2019 budget and fee rates. This updated model reflects Saskatchewan-specific supply chain costs and increased the per household payments to collectors and depot operators. Further work on the cost model in 2019 and 2020 will help ensure that payments support an efficient and effective recycling system.



Message to Stakeholders

As this report is being written, organizations everywhere are responding to the COVID-19 pandemic. Some of the businesses that pay fees to help finance the MMSW program have been dramatically affected by this pandemic and have either reduced operations or closed. Recognizing the various financial hardships created by this global pandemic, the MMSW program has eased the payment terms on all member-company fees.

Recycling and waste management have been deemed essential services, with municipalities, regional waste authorities and First Nations that collect materials adjusting to evolving constraints and realities. While the immediate future is uncertain, I am optimistic that when we have prevailed against the threat to the health of our families and communities, we will continue our efforts to develop a more sustainable future and more sustainable business practices.

Participation in recycling by Saskatchewan residents has become an integral part of daily household routines and MMSW is proud to support the delivery of this important service. MMSW has taken a truly collaborative approach to grow the program and embed new ways of working that allows us to share our accomplishments and mark progress against our recycling goals.

Over the past four years the MMSW program has consistently achieved a recovery rate of more than 70% and services delivered under the MMSW program reach more than 80% of the province's households.

Now more than ever we understand the importance of these efforts as Canadians, governments and businesses explore exciting ways to transition to circular economy models with vastly more effective methods for recovering and re-utilizing materials. As the true value of the materials we are responsible for becomes better recognized and understood, it is essential that we work together to build and support systems that allow for the efficient capture and repurposing of these materials in a very efficient and responsible manner.

MMSW took a significant step forward in 2019 by implementing the payment model based on Saskatchewan-based supply chain costs. This was an important evolution of the program and the fulfillment of a commitment made by MMSW's 2016 Stewardship Plan.

The new model went into effect January 1, 2019, and is the first step in a project that will continue to ensure payments to collectors support an efficient and effective recycling system. Further updates to the payment model are expected to be reflected in 2021 Service Agreements and the 2021 program budget.

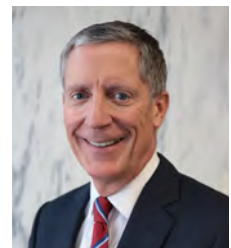
The work of developing Saskatchewan-specific costs could not have been accomplished without the tremendous input of the MMSW Advisory Committee. This committee brings together a representative group of municipal and steward stakeholders, each of whom contributes their unique expertise and perspective. We also appreciate the valuable inputs from municipalities, regional waste authorities and First Nations communities that provided the necessary data to assist in the development of the payment models.

Providing robust reporting on key performance metrics to stakeholders is also a key element of the MMSW program. Transparent reporting that provides a clear picture of program performance can only be produced when the relevant data is available. As we have learned, it can take time to put the systems in place to collect this data. MMSW has been working with collection partners since the launch of the program to develop and implement tracking systems that enable those partners to extract and utilize more detailed data. This work will result in more performance data being available in the 2020 Annual Report.

In closing, MMSW is grateful to all the individuals and organizations including Saskatchewan residents, community partners, First Nations, local governments, collectors and producers who work with it each day to positively contribute to the economic and environmental health of the province.



John Coyne, Board Chair



Program Overview

Working With Our Members

MMSW members include those businesses and other 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 Saskatchewan households.

For many producers, the focus on plastics and what they can do to keep it from littering landscapes or being lost to landfills continued in 2019. More businesses are innovating their products and their packaging to ensure that it is compatible with recycling systems, increasing recycled content and investing in new technologies to facilitate the recyclability of their materials. Consumers are also engaged in tackling the plastics pollution problem as they consider purchasing habits and demand more sustainable options from businesses. Governments are responding as well and in 2019 the federal government announced the actions it would take to reduce single-use plastics and to work with the provinces to encourage the adoption of a harmonized approach to full producer responsibility for consumer packaging in Canada. MMSW plays an important role as the bridge between producers and Saskatchewan residents by facilitating the financial support for recycling services to households across the province.

Working With Collectors

MMSW works with over 500 municipalities, First Nations communities and regional waste authorities to provide payment for recycling services. Service agreements cover residential recycling of waste packaging and paper provided to 84% of Saskatchewan households.

MMSW has been working closely with its collection service providers to introduce end of life (EOL) data reporting - an important element in transparent reporting on MMSW's performance. EOL reporting tells us where the collected materials were sent for recycling or disposal.

During 2019, MMSW built on the 2018 reporting pilot project with four collectors by engaging an additional 15 collectors and providing them with training on enhanced EOL reporting. These collectors are now fully capable of reporting EOL data and began providing it in Q4 2019. The training was then provided to remaining pilot contractors and MMSW expects to have the data necessary to report end of life data for 80% of collected tonnes in its 2020 annual report.



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 committed to the success of the MMSW program and provide valuable input and advice.

In 2019, the Advisory Committee continued to contribute to the payment model for collectors. The model approved in 2018 was reflected in 2019 service agreements and will remain in place for two years. Phase two of this process will ensure that the payment model remains current and continues to reflect actual Saskatchewan supply chain costs and an efficient and effective recycling system. Any updates to the payment model based on the phase two work are expected to be reflected in the 2021 service agreements and program budget.

The following individuals served on the Advisory Committee in 2019:

- **Julie Dickson**, Managing Director, Corporate Services, Save-On-Foods
- **Joanne Fedyk**, Executive Director, Saskatchewan Waste Reduction Council
- **Judy Harwood**, Division 5 Director, Saskatchewan Association of Rural Municipalities
- **Al Heron**, Director – West Central Region, Municipalities of Saskatchewan (formerly Saskatchewan Urban Municipalities Association)
- **Keith Matheson**, Chair, Association of Regional Waste Management Authorities of Saskatchewan
- **Anne Mathewson**, Executive Director, Association of Regional Waste Management Authorities of Saskatchewan
- **Libbey Morin**, Senior Policy Analyst, Saskatchewan Association of Rural Municipalities
- **Augustina Osaseri**, Advocacy Advisor, Municipalities of Saskatchewan (formerly Saskatchewan Urban Municipalities Association)
- **Kim Tang**, Director, Sustainability, Federated Co-operatives Limited



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 2019 included:

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

The following table summarizes board meeting attendance for 2019:

BOARD MEMBER	MARCH 28	JUNE 19	SEPTEMBER 26	DECEMBER 12
Debbie Baxter	Yes	Yes	Yes	Yes
Dale Botting	No	Yes	No	Yes
Bob Chant	Yes	Yes	Yes	Yes
John Coyne	Yes	Yes	Yes	Yes

The Finance & Audit Committee members are Debbie Baxter and Dale Botting. The committee met twice in 2019.

BOARD MEMBER	JUNE 6	SEPTEMBER 12
Debbie Baxter	Yes	Yes
Dale Botting	Yes	Yes

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. The following are explanations of significant variances between performance in 2018 and 2019:

- 76% increase in the total cost of the program is a result of the implementation of the updated payment model in 2019, which increased material management costs by \$4.5 million.
- 27% increase in fees collected from members are a result of increased fee rates to cover the increased material management costs, which were partially offset by the utilization of program reserves.
- Increased recovery rate to 77.4% in 2019 from 70.1% in 2018 was a result of a decline in tonnes of WPP reported by producers. Fewer supplied tonnes and steady collected tonnes results in an increased recovery rate.
- MMSW increased its spend on promotion and education in 2019 with a resident-focused advertising campaign in the fall. MMSW also provided local governments with advertising templates which they could customize with specific and targeted resident messaging. These efforts supported increased consumer engagement with the MMSW program.

In 2019, MMSW continued to provide training for collectors that enables them to implement the processes necessary to collect the data required for MMSW to report on end of life for collected materials. The ability to collect important end of life data from service providers at the material category level means that MMSW will be able to report more detailed key performance metrics for 2020.

Recognizing that it takes time to implement these processes, the Environment Minister has provided MMSW, by means of a waiver, permission to exclude from the 2019 Annual Report performance data that is not yet available as noted below.



	2019 PERFORMANCE	2018 PERFORMANCE	YOY DIFFERENCE %
Tonnes of WPP supplied by MMSW members	54,209 tonnes	60,427 tonnes	-10.3%
Tonnes of WPP collected by municipalities	41,945 tonnes	42,352 tonnes	-1.0%
Total tonnes of WPP recycled and therefore diverted from landfills by municipalities participating in the MMSW program	Not available	Not available	--
Recovery rate of total WPP collected by municipalities participating in the MMSW program as a percentage of total WPP supplied by MMSW members	77.4%	70.1%	7.3%
For each category of WPP, total tonnes of WPP recycled and therefore diverted from municipal landfills by municipalities participating in the MMSW program	Not available	Not available	--
Recovery rate for each category of WPP reported by municipalities participating in the MMSW program as a percentage of the total of that category of packaging and paper supplied by MMSW members	Not available	Not available	--
Kilograms collected/capita	46.5	49.7	-6.3%
Fees collected from members	\$9,296,607	\$7,334,513	27.3%
Funds spent to operate the program	\$8,724,050	\$4,259,592	104.8%
Funds spent to administer the program (includes both the operation and administrative costs)	\$10,617,712	\$6,040,044	75.8%
Promotion and Education	\$53,000	\$15,660	240.7%
Resident Feedback	5,624 visits to the resident section of the MMSW website and 5,062 unique visitors. MMSW received 284 emails and 527 calls	321 visits to the resident section of the MMSW website and 254 unique visitors. MMSW received 274 emails and 1,015 calls	--

2019 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 2019. 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	5.00
	Magazines and Catalogues	5.00
	Telephone Books	5.00
	Other Printed Paper	5.00
PAPER PACKAGING	Corrugated Cardboard	11.00
	Boxboard	11.00
	Gable Top Cartons	27.00
	Paper Laminates	27.00
	Aseptic Containers	27.00
PLASTICS	PET Containers	26.00
	HDPE Containers	26.00
	Plastic Film	45.00
	Plastic Laminates	61.00
	Polystyrene	45.00
	Other Plastics	45.00
STEEL	Other Steel Packaging	15.00
	Steel Aerosols	15.00
	Steel Paint Cans	15.00
ALUMINUM	Aluminum Food & Other Containers	15.00
	Other Aluminum Packaging	15.00
GLASS	Clear Glass	5.00
	Coloured Glass	5.00

Low-Volume Steward Fees and Exemptions

Organizations supplying less than 1,000 kg of WPP 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 2019, the following flat fees were available to low-volume stewards:

- A fee of \$310 for businesses that supply between 1,000 and 2,500 kg.
- A fee of \$650 for businesses that supply between 2,500 and 5,000 kg.



Promotion & Education

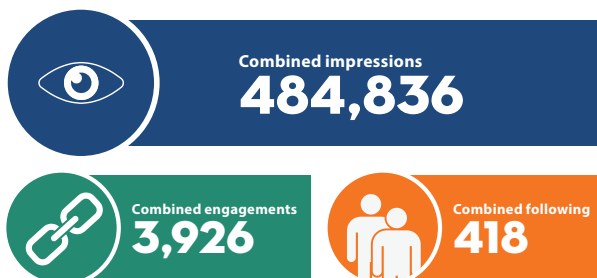
Informed residents are vital to the success of the MMSW program. MMSW undertakes promotion and education initiatives on an ongoing basis in order to educate residents on household recycling.

Website

The resident section of the MMSW website continues to provide recycling information to Saskatchewan residents including where they can learn more about recycling in their area, the benefits of recycling, as well as an interactive tool where residents can click on materials and see what they turn into once recycled.

Social Media

In 2019, MMSW continued to promote proper WPP recycling to residents via social media. Its social channels also act as a way to engage with residents by answering their recycling questions. MMSW's social impressions and engagements increased significantly from 2018 likely due to the advertising campaign run in the fall of 2019. Followers of MMSW social media channels increased by 10% from 2018.



Collector Advertising Templates

MMSW conducted a survey with its collectors in 2018. Results indicated that collectors' top two challenges in managing their recycling programs were decreasing contamination and increasing participation in recycling programs. In 2019, MMSW used this information to develop 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.

'Recycle Smart. Recycle Right.' Advertising Campaign

MMSW used the final collector templates to run a province-wide advertising campaign in the fall of 2019. The campaign ran as digital mall posters, digital billboards, radio spots and digital and social ads, resulting in over 14.8 million impressions.

Since materials and collection methods vary throughout Saskatchewan, a landing webpage was set up to provide value to residents by pointing them directly to their municipality to learn more about recycling in their area. The webpage saw 4,721 unique visitors during the campaign.



Financial Performance

Financial Statements

For the year ended December 31, 2019

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Independent Auditor's Report

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, 2019, 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, 2019, 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.

Chartered Professional Accountants, Licensed Public Accountants

BDO Canada LLP

Toronto, Ontario
March 24, 2020

Multi-Material Stewardship Western Inc. Balance Sheet

December 31 **2019** **2018**

Assets

Current

Cash	\$ 9,243,854	\$ 7,913,688
Accounts receivable	314,880	207,127
Prepaid expenses	21,848	15,882

	9,580,582	8,136,697
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Capital assets (Note 2)	9,662	1,826
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	\$ 9,590,244	\$ 8,138,523
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 3,966,166	\$ 1,482,234
Due to related parties (Note 3)	171,895	122,501

	4,138,061	1,604,735
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Net Assets

Invested in capital assets	9,662	1,826
Unrestricted	2,442,521	3,531,962
Internally restricted (Note 4)	3,000,000	3,000,000

	5,452,183	6,533,788
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	\$ 9,590,244	\$ 8,138,523
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On behalf of the Board:



Director



Director

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

For the year ended December 31, 2019

	Invested in Capital Assets	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 1,826	\$ 3,531,962	\$ 3,000,000	\$ 6,533,788
Deficiency of revenue over expenses for the year	(1,826)	(1,079,779)	-	(1,081,605)
Investment in capital assets	9,662	(9,662)	-	-
Balance, end of year	\$ 9,662	\$ 2,442,521	\$ 3,000,000	\$ 5,452,183

For the year ended December 31, 2018

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

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

Multi-Material Stewardship Western Inc. Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Fee revenue	\$ 9,296,607	\$ 7,334,513
Investment income	239,500	157,044
	<u>9,536,107</u>	<u>7,491,557</u>
Expenses		
Material management costs (Note 5)	8,724,050	4,259,592
Program management (Note 3)	1,840,662	1,764,794
Promotion and education	53,000	15,660
	<u>10,617,712</u>	<u>6,040,046</u>
Excess (deficiency) of revenue over expenses for the year	\$ (1,081,605)	\$ 1,451,511

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	2019	2018
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (1,081,605)	\$ 1,451,511
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	1,826	1,827
Changes in non-cash working capital balances:		
Accounts receivable	(107,753)	211,537
Prepaid expenses	(5,966)	513
Accounts payable and accrued liabilities	2,483,932	116,063
Due to related parties	49,394	16,780
	1,339,828	1,798,231
Investing activities		
Purchase of capital assets	(9,662)	-
Increase in cash during the year	1,330,166	1,798,231
Cash, beginning of year	7,913,688	6,115,457
Cash, end of year	\$ 9,243,854	\$ 7,913,688

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

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2019

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, 2019

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

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 18,796	\$ 9,134	\$ 9,134	\$ 7,308
		<u>\$ 9,662</u>		<u>\$ 1,826</u>

3. Due to Related Parties and Related Party Transactions

	2019		2018	
Due to Canadian Stewardship Services Alliance Inc. ("CSSA") (i)	\$ 166,062		\$ 112,001	
Due to MMBC Recycling Inc. ("Recycle BC") (ii)		5,833		10,500
	<u>\$ 171,895</u>		<u>\$ 122,501</u>	

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2019

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 \$1,180,000 (2018 - \$1,174,672) were paid to CSSA pursuant to this contract and are included in program management expenses.

The Organization's board of directors consists of 50% (2018 - 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 \$80,000 (2018 - \$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.

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 \$nil (2018 - \$1,000,000) for this purpose.

5. Material Management Costs

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

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2019

6. Commitments

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

2020	\$	30,750
2021		30,750
2022		30,750
2023		30,750
2024		15,375
		138,375
	\$	138,375

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 \$8,800 (2018 - \$nil).

(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.

8. Subsequent Event

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.



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