



TIRE STEWARDSHIP
Manitoba

2018
ANNUAL REPORT

MESSAGE FROM THE CHAIR

I am pleased to present Tire Stewardship Manitoba's (TSM) Annual Report for 2018, TSM's 11th year operating Manitoba's tire recycling program. TSM's approved tire stewardship program is accountable to Manitobans for the collection, recycling and environmentally sound disposal of all scrap tires in accordance with The Tire Stewardship Regulation, 2006.

Through the efforts of Manitoba's tire recyclers and 1,547 retailers, generators, and municipal partners who support the program, TSM's key achievement for 2018 was recycling 18,177 tonnes of discarded tires and tubes for an 85% diversion rate. Virtually all discarded tires and tubes,

or 13.4 kilograms per Manitoban, continue to be collected and recycled annually in the province creating over 70 full-time jobs and \$7 million in direct economic activity.

Other notable achievements for 2018 include awarding three scholarships of \$3,000 each to deserving students studying environmental sciences at a Manitoba university, and \$71,044 in 10 community and market development projects that used Manitoba made recycled tire products. On raising consumer awareness to extend tire service life and reduce waste, TSM's Be Tire Smart Community Relations Team attended 14 community events that attracted over 168,000 people in 2018.

TSM continues to work for an effective, efficient and sustainable tire recycling program in Manitoba toward the long-term goal of investing in collection and processing capacity to manage growth while maintaining our commitment to reducing rates as the market place for recycled tire products strengthens.

Sincerely,



Glenn Maidment
Chair

MESSAGE FROM THE EXECUTIVE DIRECTOR

The 2018 Annual Report reflects the commitment to enduring achievements by Manitoba's tire recycling program operated by Tire Stewardship Manitoba (TSM). The TSM five-year program plan was approved by the Minister of Sustainable Development to June 30, 2023. The TSM program remains committed to making constant improvements in the collection and recycling of discarded tires and tubes in all regions of the province.

TSM's continued successes are the culmination of efforts by Manitoba's tire recyclers, new tire retailers, motor and equipment dealers, scrap tire generators, urban and rural municipalities, industry, consumers and a growing number of First Nations and Northern communities who support the program. All are committed partners working to ensure that once again virtually all the tires and tubes that are available for recycling are collected and recycled in Manitoba.

The volume of tires available for recycling in Manitoba continued to supply Manitoba's recyclers in their efforts to develop higher value tire-derived products while improving scrap tire collections. Crumb and manufactured product sales grew by 42% from the previous year, representing 19% of the market share of recycled tire goods produced by Manitoba tire recyclers in 2018. With no change to the applicable steward fee charged in any tire category, TSM continued our commitment to Manitoba consumers to keep recycling fees among the lowest in Canada.

Sincerely,



Brett Eckstein,
Executive Director



EVERY YEAR, OVER 1 MILLION NEW TIRES HIT THE ROAD IN MANITOBA. THAT'S A LOT OF TIRES.

Each one of those tires can end up as waste in our landfills, posing a risk to human health and the environment. Fortunately, that doesn't happen because tire consumers, tire sellers, local government and recyclers are partners with Tire Stewardship Manitoba (TSM) in preventing tire waste and reducing their environmental impact and health risks through proper tire storage and recycling.

TSM is a not-for-profit organization formed to manage the tire recycling program on behalf of tire sellers in Manitoba. TSM has had its tire stewardship program approved by Manitoba Sustainable Development in accordance with The Tire Stewardship Regulation, 2006.

For more information about the program visit
www.tirestewardshipmb.ca

COMING FULL CIRCLE

2018 PROGRAM SUMMARY

2018 PROGRAM PERFORMANCE SUMMARY					
<p>Recycling</p> <p>Measures related to the weight of designated tires and tubes included in the program</p>	<p>Generated¹</p>  <p>21,381</p> <p>Tonnes of material sold</p>	<p>Collected</p>  <p>18,177</p> <p>Tonnes of material collected</p>	<p>Recovered²</p>  <p>85%</p> <p>Percent of material recovered</p>	<p>Per Capita³</p>  <p>13.4 kg</p> <p>Kilograms collected per capita</p>	<p>Markets</p> <p>19% Crumb/ Manufactured</p> <p>17% Cut/Fabricated</p> <p>64% Aggregate</p> <p>Percentage of total products processed and manufactured in MB</p>
<p>Access</p> <p>Measures related to the convenience of accessing the program</p>	<p>Coverage</p>  <p>100%</p> <p>Percent of Manitoba Residents with collection site access</p>	<p>Collection Sites</p>  <p>1,547</p> <p>Registered year-round collection sites</p>		<p>Communities</p>  <p>143</p> <p>Number of Communities and First Nations registered with Tire Stewardship Manitoba</p>	

2018 PROGRAM PERFORMANCE SUMMARY – CONTINUED

Awareness

Measures related to the public's awareness of the program and participation of industry stewards

Population



of 4,367
survey respondents

Percent of the population aware of the program and what happens to their scrap tires and tubes

Communication Efforts



Retailer Point-of-Sale, Media Advertising, Community Events/Public Displays Promotional Video, Community Grant Program, Community Partnerships, Annual Report, Website, Toll-free Telephone Number

Communication efforts undertaken

Cost

Measures related to the costs of delivering the program including Operational, Administrative and Stewardship Programs

Recycling



\$291

Per tonne of material collected

General and Administrative



\$36

Per tonne of material collected

Stewardship



\$8

Per tonne of material collected

Total Program



\$335

Per tonne of material collected

2018 MATERIAL RECOVERY SUMMARY

MATERIAL	AMOUNT GENERATED ¹	AMOUNT RECOVERED	% RECOVERED ²
Tires and Tubes	21,381 tonnes	18,177 tonnes	85%

2018 FINANCIAL SUMMARY

CATEGORY	AMOUNT	COMMENTS
Annual Expenses	\$6,085,406	Sum of recycling costs, stewardship programs and general and administrative expenses
Stabilization Reserve	\$4,542,381	Funds are restricted to meet financial obligations of the organization
Addition/(draw down) from previous year	[\$197,887]	Net operating surplus (deficit)

¹ The amount of scrap tire material that can be generated from the annual sales of new tires in Manitoba. Calculated using average tire weights: 10.51 kg for passenger/light truck; 50 kg for medium truck; 172 kg for large agricultural; 294 kg for small off-road-tires; 552 kg for large off-road-tires (Source: TSM Scrap Tire Weight and Characteristics Study, October 2013).

² The annual recovery rate of 85% reflects the ratio of material collected per material generated in tonnes. Virtually all (100%) of the scrap tires generated and available for collection are collected on an annual basis.

³ Manitoba's population was 1,356,836 in 2018 (Source: Manitoba Bureau of Statistics)

TREADING NEW GROUND

NOTABLE INITIATIVES DURING 2018

2018 COMMUNITY GRANTS

The TSM Community Demonstration and Innovations Grant Program provides up to \$20,000 in matching grant funding for communities and not-for-profit organizations to use and benefit from a wide range of Manitoba recycled tire products. Proposed projects must be environmentally and ecologically sound, promote a sustainable approach, have clear environmental benefits and take into account benefits to the community and the economy.

In 2018, there were 10 community projects that received \$71,044 in funding from Tire Stewardship Manitoba.

RESEARCH PROJECTS

Dr. Shokry Rashwan, Ph.D., P.Eng., Red River College (RRC), presented the Final Report on the Demonstration of the Viability of Using Tire Derived Aggregate (TDA) to Replace Natural Material (NM) in Residential Home Basement Construction at the Rubber Recycling Symposium held in Niagara Falls, Ontario.

The Report's technical assessment "*showed that TDA has no negative effects and may even perform better than natural material when used as backfill and underneath the slab of home basements.*"

Full Report: <https://www.tirestewardshipmb.ca/wp-content/uploads/TDA-project-final-report-for-TSM-June-2018.compressed.pdf>



Workers constructing RRC experimental house being divided in two equal sections. The house tested the properties of TDA compared to natural material behind foundation wall and under concrete slab floor.

TSM SCHOLARSHIP IN ENVIRONMENTAL SCIENCES

TSM provides Brandon University, University of Manitoba and University of Winnipeg each a \$3,000 scholarship to award to a deserving student in Environmental Science.

BE TIRE SMART COMMUNITY PROGRAM

TSM conducts a year-round Be Tire Smart community education and awareness program on how proper tire maintenance positively impacts tire life, vehicle safety and the environment. In 2018, TSM attended 14 community events that attracted over 168,000 people.



TSM BOARD MEMBERS

A volunteer board governs TSM and is composed of several directors representing international tire manufacturers, major suppliers, and tire retailers in Manitoba.

Glenn Maidment

Tire and Rubber Association of Canada

David Lamb

Tire and Rubber Association of Canada

Joe Casciano

Retail Council of Canada

Kendale Penner

Western Canada Tire Dealers

Ken Essex

Western Canada Tire Dealers

Geoff Sine

Member at Large

TSM ADVISORY COMMITTEE

A multi-stakeholder advisory committee also contributes to good governance of TSM program operations. The committee is composed of representatives of recyclers, municipalities, consumers, industry, the provincial government and environmental organizations.

Manitoba Motor Dealers Association

Association of Manitoba Municipalities

Keystone Agricultural Producers

Manitoba Trucking Association

Western Equipment Dealers Association

Reliable Tire Recycling

Evolve Recycling

Manitoba Eco-Network

Manitoba Sustainable Development

TIRE STEWARDSHIP MANITOBA INC.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2018

To the Members of Tire Stewardship Manitoba Inc.

Opinion

We have audited the financial statements of Tire Stewardship Manitoba Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets 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 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 *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 those 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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

WINNIPEG, MANITOBA

MARCH 21, 2019

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 1,352,223	\$ 1,270,481
Interest receivable	80,610	111,748
Accounts receivable	-	70,859
Prepaid expenses	14,921	10,235
Current investments <i>(Note 3)</i>	950,000	950,000
	2,397,754	2,413,323
LONG TERM INVESTMENTS <i>(Note 4)</i>	2,803,785	3,009,402
CAPITAL ASSETS <i>(Note 5)</i>	8,011	10,948
	\$ 5,209,550	\$ 5,433,673
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 667,169	\$ 693,405
NET ASSETS		
Stabilization reserve <i>(Note 7)</i>	4,534,370	4,729,320
Invested in capital assets	8,011	10,948
	4,542,381	4,740,268
	\$ 5,209,550	\$ 5,433,673

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

See notes to financial statements

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUE		
Steward fees	\$ 5,911,743	\$ 5,921,533
Investment income (loss)	(24,224)	232,020
	5,887,519	6,153,553
RECYCLING INCENTIVES		
Processing	2,636,886	3,276,424
Collection	2,474,307	2,521,568
Municipal storage	79,874	137,482
Manufacturing	93,786	127,144
	5,284,853	6,062,618
GROSS MARGIN	602,666	90,935
STEWARDSHIP PROGRAMS		
Community demonstration grants	71,044	107,490
Public education program	50,154	55,239
Special projects	23,957	17,911
	145,155	180,640
GENERAL AND ADMINISTRATIVE		
Advertising and communications	20,413	24,073
Administration and corporate	634,985	548,034
	655,398	572,107
NET OPERATING SURPLUS (DEFICIT)	\$ (197,887)	\$ (661,812)

See notes to financial statements

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	OPERATING FUNDS	STABILIZATION RESERVE	INVESTED IN CAPITAL ASSETS	2018	2017
NET ASSETS –					
BEGINNING OF YEAR	\$ –	\$4,729,320	\$ 10,948	\$4,740,268	\$5,402,080
Deficiency of revenue over stewardship programs	(194,950)	–	(2,937)	(197,887)	(661,812)
Transfer from Stabilization Reserve	194,950	(194,950)	–	–	–
NET ASSETS –					
END OF YEAR	\$ –	\$4,534,370	\$ 8,011	\$4,542,381	\$4,740,268

See notes to financial statements

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Net operating surplus (deficit)	\$ (197,887)	\$ (661,812)
Item not affecting cash:		
Amortization of capital assets	2,938	4,074
	(194,949)	(657,738)
Changes in non-cash working capital:		
Interest receivable	31,138	221,733
Accounts receivable	70,859	(70,859)
Prepaid expenses	(4,686)	(127)
Accounts payable and accrued liabilities	(26,238)	272,234
	71,073	422,981
Cash flow used by operating activities	(123,876)	(234,757)
INVESTING ACTIVITIES		
Change in current investments	–	1,600,000
Change in long term investments	205,618	(1,510,942)
Cash flow from investing activities	205,618	89,058
INCREASE (DECREASE) IN CASH FLOW	81,742	(145,699)
CASH – BEGINNING OF YEAR	1,270,481	1,416,180
CASH – END OF YEAR	\$ 1,352,223	\$ 1,270,481

See notes to financial statements

TIRE STEWARDSHIP MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. PURPOSE OF THE ORGANIZATION

Tire Stewardship Manitoba Inc. (the “Organization”) was incorporated as a not-for-profit organization and is exempt from income taxes. The purpose of the Organization is to establish and manage a mandatory scrap tire waste reduction program on behalf of its members as set out in The Waste Reduction and Prevention Act (Manitoba Regulation 222/06).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Revenue recognition

Revenue from tire recycling fees is recognized when retailers submit reports for tires sold. All other revenue is recognized in the period it is earned.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	30% declining balance method
Computer software	100% declining balance method
Equipment	20% declining balance method

In the year of acquisition, amortization is taken at one-half of the above rates.

Measurement uncertainty

The preparation of financial statements in conformity 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 amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair market value.

The Organization subsequently measures all its financial assets and liabilities at amortized cost, except for marketable securities and investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations and changes in reserves in the period incurred. Fair value is determined by published price quotations.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial assets measured at fair value include marketable securities and investments. Financial liabilities measured at amortized cost include accounts payable and accruals.

Transaction costs and financing fees directly attributable to the organization, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the deficiency of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

3. CURRENT INVESTMENTS

	2018	2017
Guaranteed investment certificate, bearing interest at 1.25% and maturing June 3, 2019	\$ 200,000	\$ -
Guaranteed investment certificate, bearing interest at 2.40% and maturing December 3, 2019	750,000	-
Guaranteed investment certificate, bearing interest at 1.050% and matured on June 1, 2018	-	200,000
Guaranteed investment certificate, bearing interest at 2.20% and matured on December 3, 2018	-	750,000
	\$ 950,000	\$ 950,000

4. LONG TERM INVESTMENTS

	2018	2017
CI Signature Canadian Balanced mutual funds	\$ -	\$ 2,059,402
Guaranteed Investment Certificates	-	950,000
BMO Wealth Management investment portfolio	2,803,785	-
	\$ 2,803,785	\$ 3,009,402

5. CAPITAL ASSETS

	COST	ACCUMULATED AMORTIZATION	2018 NET BOOK VALUE	2017 NET BOOK VALUE
Computer equipment	\$ 48,177	\$ 42,937	\$ 5,240	\$ 7,485
Computer software	6,759	6,759	-	-
Office equipment	18,053	15,282	2,771	3,463
	\$ 72,989	\$ 64,978	\$ 8,011	\$ 10,948

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade accounts payable	\$ 567,371	\$ 595,985
Accrued liabilities	57,613	55,353
Payroll liabilities	8,847	5,707
Goods and services taxes payable	33,338	36,360
	\$ 667,169	\$ 693,405

7. STABILIZATION RESERVE

The Board of Directors has internally restricted funds through the establishment of a stabilization reserve to ensure that funds are available to meet the financial obligations of the Organization.

The amount of \$194,950 was transferred from the reserve to fund the Organization's net operating deficit during 2018.

	2018	2017
Stabilization reserve, opening balance	\$ 4,729,320	\$ 5,387,057
Net operating surplus (deficit)	(194,950)	(657,737)
	\$ 4,534,370	\$ 4,729,320

8. ESTIMATED TIRE PROCESSING INVENTORY

The Organization estimates that at December 31, 2018 tire processors held 8,251 metric tonnes of tires in their inventory. If all tires in inventory were processed the Organization estimates that approximately \$1,347,526 would be payable to the tire processors.

9. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2018.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable and accrued liabilities.

(b) 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, 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 the market. The Organization is exposed to other price risk through its investments.

18,177
TONNES

OF MATERIALS RECYCLED

13.4
KILOGRAMS

OF TIRE DIVERTED FOR EVERY MANITOBAN

1,547

COLLECTION SITES

100%

OF STEWARD - FEES COLLECTED
GO TOWARD PROGRAM OPERATION
AND ENHANCEMENT



TIRE STEWARDSHIP
Manitoba

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FSC logo