



TIRE STEWARDSHIP
Manitoba



2015

ANNUAL REPORT

MESSAGE FROM THE CHAIR

I am pleased to present Tire Stewardship Manitoba's (TSM) Annual Report for 2015, TSM's 8th 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 1,501 retailers, generators, and municipal partners who support the program, TSM's key achievement for 2015 was recycling 19,242 tonnes of discarded tires and tubes for a 91% diversion rate. Virtually all discarded tires and tubes, or 14.8 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 2015 include awarding three scholarships of \$3,000 each to deserving students studying environmental sciences at a Manitoba university, and \$313,000 in 26 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 24 community events that attracted over 283,000 people in 2015.

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.

A special thanks to the Board, Staff and many stakeholders for their continued support for the program.

Sincerely,



Glenn Maidment
Chair

MESSAGE FROM THE EXECUTIVE DIRECTOR

Over the past eight years Manitoba's tire recycling program operated by Tire Stewardship Manitoba (TSM) has made strong efforts to improve the collection and recycling of discarded tires and tubes in all regions of the province. Manitoba's tire recyclers, new tire retailers, motor and equipment dealers, scrap tire generators, municipal partners, industry and consumers who support the program, have ensured that virtually all the tires and tubes that are available for recycling are collected and recycled in Manitoba.

In 2015 Manitoba had the largest volume of tires recycled in the program's history and was able to meet the challenge in managing the

number of new tires being introduced into the province through greater consumer demand for new vehicles and increasing winter tire sales. Efforts also continued through the year to improve tire collection from remote locations. In partnership with other Producer Responsibility Organizations (PRO's), TSM assisted in removing or managing materials such as used oil, batteries, electronics, household hazardous waste, thermostats and over 1400 discarded tires from St. Theresa Point for the first time by winter ice-road.

TSM's financials reflect the program's continued investments in Manitoba's tire recyclers to improve collections

and develop higher value tire-derived products that build upon the significant accomplishments of the TSM program. Even with the added investment, the program's financial position remains positive and TSM was able to lower the steward fee for Passenger/Light Truck (PLT) category tires to \$3.75 on April 1, 2015.

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 Conservation in accordance with The Tire Stewardship Regulation, 2006.

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

COMING FULL CIRCLE

2015 PROGRAM SUMMARY

2015 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>21,117</p> <p>Tonnes of material sold</p>	<p>Collected</p>  <p>19,242</p> <p>Tonnes of material collected</p>	<p>Recovered²</p>  <p>91%</p> <p>Percent of material recovered</p>	<p>Per Capita³</p>  <p>14.8 kg</p> <p>Kilograms collected per capita</p>	<p>Markets</p> <p>6% Crumb/ Manufactured</p> <p>22% Cut/Fabricated</p> <p>72% Aggregate</p> <p>Percent of total products processed and manufactured in Manitoba</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>1,501</p> <p>Registered year-round collection sites</p>			<p>Municipalities</p>  <p>140</p> <p>Number of Municipalities registered with Tire Stewardship Manitoba</p>

2015 PROGRAM PERFORMANCE SUMMARY – CONTINUED

Awareness

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

Population



of 4,917
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, Eco-Calendar, 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



\$292

Per tonne of material collected

General and Administrative



\$38

Per tonne of material collected

Stewardship⁴



\$56

Per tonne of material collected

Total Program⁴



\$387

Per tonne of material collected

2015 MATERIAL RECOVERY SUMMARY

MATERIAL	AMOUNT GENERATED ¹	AMOUNT RECOVERED	% RECOVERED ²
Tires and Tubes	21,117 tonnes	19,242 tonnes	91%

2015 FINANCIAL SUMMARY

CATEGORY	AMOUNT	COMMENTS
Annual Expenses	\$7,445,257	Sum of recycling costs, stewardship programs and general and administrative expenses ⁴
Stabilization Reserve	\$6,497,643	Funds are restricted to meet financial obligations of the organization
Addition/(draw down) from previous year	[\$1,402,114]	Net operating surplus (deficit)

¹ The amount of scrap tire material that can be generated from the annual sale of new tires in Manitoba. Calculated using 10.51 kg passenger/light truck scrap tire equivalent [Source: TSM Scrap Tire Weight and Characteristics Study, October 2013].

² The annual recovery rate of 91% 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 1,299,000 in 2015 [Source: Manitoba Bureau of Statistics]

⁴ Both Stewardship costs and Total Program costs include one-time capital grants [see note 6 of Financial Statements].

TREADING NEW GROUND

NOTABLE INITIATIVES DURING 2015

2015 COMMUNITY GRANTS

The TSM Community Demonstration 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 2015, there were 24 community projects that received \$190,101 in funding from Tire Stewardship Manitoba.

2015 TIRE RECYCLING INNOVATIONS GRANTS

The TSM Tire Recycling Innovations Grant provides additional program incentives to Manitoba's tire recycling program processors and manufacturers to advance recycled tire product sales in new markets and to develop new recycled products made from tires for existing markets. The grant encourages new product innovation and new market development that typically involve a greater risk through enhancing the resources available beyond those which are presently used for the existing recycled tire product lines and markets.

In 2015 there were 2 projects that received \$122,700 in funding from Tire Stewardship Manitoba.

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. TSM attended 24 community events that attracted over 283,000 people in 2015.



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

OTR Recycling

Green Manitoba

Manitoba Eco-Network

TIRE STEWARDSHIP MANITOBA INC.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2015

To the Board Members of Tire Stewardship Manitoba Inc.

We have audited the accompanying financial statements of Tire Stewardship Manitoba Inc., which comprise the statement of financial position as at December 31, 2015 and the statements of operations and reserve and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tire Stewardship Manitoba Inc. as at December 31, 2015 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.



CHARTERED PROFESSIONAL ACCOUNTANT

WINNIPEG, MANITOBA
MARCH 18, 2016

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 1,433,870	\$ 1,590,558
Interest receivable	330,288	247,449
Prepaid expenses	8,799	10,754
Marketable securities <i>(Note 3)</i>	800,000	800,000
	2,572,957	2,648,761
INVESTMENTS <i>(Note 4)</i>	4,509,153	5,815,553
CAPITAL ASSETS <i>(Note 5)</i>	19,296	19,946
	\$ 7,101,406	\$ 8,484,260
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 567,546	\$ 488,767
Goods and services tax payable	36,217	95,736
	603,763	584,503
NET ASSETS		
Stabilization reserve <i>(Note 7)</i>	6,497,643	7,899,757
	\$ 7,101,406	\$ 8,484,260

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

See Accompanying Notes

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF OPERATIONS AND RESERVE

YEAR ENDED DECEMBER 31, 2015

	2015	2014
REVENUE		
Steward fees	\$ 5,923,338	\$ 6,228,484
Interest	119,805	265,536
	6,043,143	6,494,020
RECYCLING INCENTIVES		
Processing	2,969,377	2,376,061
Collection	2,436,714	1,903,688
Municipal storage	198,264	127,685
Manufacturing	20,309	45,926
	5,624,664	4,453,360
GROSS MARGIN	418,479	2,040,660
STEWARDSHIP PROGRAMS		
Community demonstration grants	190,101	149,095
Public education program	102,847	81,154
Tire recycling innovation grants	122,700	70,000
Capital grants <i>(Note 6)</i>	643,680	-
Special projects	23,293	23,290
	1,082,621	323,539
GENERAL AND ADMINISTRATIVE		
Advertising and communications	121,817	72,501
Administration and corporate	576,806	559,922
Green Manitoba agreement	39,349	22,027
	737,972	654,450
NET OPERATING SURPLUS (DEFICIT)	\$ (1,402,114)	\$ 1,062,671

See Accompanying Notes

TIRE STEWARDSHIP MANITOBA INC.
STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Net operating surplus (deficit)	\$ (1,402,114)	\$ 1,062,671
Item not affecting cash:		
Amortization of capital assets	6,334	6,022
	(1,395,780)	1,068,693
Changes in non-cash working capital:		
Interest receivable	(82,839)	(36,326)
Accounts payable	78,778	103,858
Prepaid expenses	1,955	4,315
GST payable (receivable)	(59,519)	13,166
	(61,625)	85,013
Cash flow from (used by) operating activities	(1,457,405)	1,153,706
INVESTING ACTIVITIES		
Purchase of capital assets	(5,683)	(10,893)
Long term investments	1,306,400	(846,179)
Cash flow from (used by) investing activities	1,300,717	(857,072)
INCREASE (DECREASE) IN CASH FLOW	(156,688)	296,634
CASH – BEGINNING OF YEAR	1,590,558	1,293,924
CASH – END OF YEAR	\$ 1,433,870	\$ 1,590,558

See Accompanying Notes

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 have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets 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
Office 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.

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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. MARKETABLE SECURITIES

Marketable securities consist of a guaranteed investment certificate with an interest rate of 2.61%, and a maturity date of November 9, 2016.

4. INVESTMENTS

	2015	2014
Guaranteed Investment Certificates (GICs)	\$ 3,500,000	\$ 4,300,000
CI Signature Canadian Balanced mutual funds	1,009,153	1,515,553
	\$ 4,509,153	\$ 5,815,553

5. CAPITAL ASSETS

	COST	ACCUMULATED AMORTIZATION	2015 NET BOOK VALUE	2014 NET BOOK VALUE
Computer equipment	\$ 48,177	\$ 32,901	\$ 15,276	\$ 14,922
Computer software	6,759	6,759	-	-
Office equipment	16,816	12,796	4,020	5,024
	\$ 71,752	\$ 52,456	\$ 19,296	\$ 19,946

6. CAPITAL GRANTS

The Organization engaged a professional accounting firm in 2015 to conduct sustainability and compliance audits of its processors. The audit found that the tire processors were not sufficiently investing in capital equipment. The Board of Directors, at the recommendation of the audit, provided a one-time capital grant to tire processors to fund the purchase of new equipment.

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 \$1,376,580 was transferred from the reserve to fund the Organization's net operating deficit during 2015. The ending balance includes \$19,296 (2014 - \$19,946) invested in Capital Assets.

	2015	2014
Stabilization reserve, opening balance	\$ 7,899,757	\$ 6,837,086
Net operating surplus (deficit)	(1,402,114)	1,062,671
	\$ 6,497,643	\$ 7,899,757

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

8. ESTIMATED TIRE PROCESSING INVENTORY

The Organization estimates that at December 31, 2015 tire processors held 7,600 metric tonnes of tires in their inventory. If all tires in inventory were processed the Organization estimates that approximately \$1,310,000 would be payable to the tire processors.

9. FINANCIAL INSTRUMENTS

The Organization as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk results from its dependence on the receipt of tire recycling fees, collections of accounts receivable, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

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.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.



19,242
TONNES
OF MATERIAL RECYCLED

14.8
KILOGRAMS
OF TIRES DIVERTED FOR EVERY MANITOBAN

1,501
COLLECTION SITES

100%

OF STEWARD-FEES COLLECTED GO TOWARD
PROGRAM OPERATION AND ENHANCEMENT



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