



2017

ANNUAL REPORT



TIRE STEWARDSHIP
Manitoba

MESSAGE FROM THE CHAIR

I am pleased to present Tire Stewardship Manitoba's (TSM) Annual Report for 2017, TSM's 10th 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 1,525 retailers, generators, and municipal partners who support the program, TSM's key achievement for 2017 was recycling 18,364 tonnes of discarded tires and tubes for an 86% diversion rate. Virtually all discarded tires and tubes, or 13.7 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 2017 include awarding three scholarships of \$3,000 each to deserving students studying environmental sciences at a Manitoba university, and \$107,490 in 14 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 19 community events that attracted over 152,000 people in 2017.

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 2017 Annual Report highlights the achievements of Manitoba's tire recycling program operated by Tire Stewardship Manitoba (TSM). The TSM program remains committed to making enduring improvements in the collection and recycling of discarded tires and tubes in all regions of the province.

In 2017, 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, continued to work together as committed partners 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. 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 Conservation in accordance with The Tire Stewardship Regulation, 2006.

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

COMING FULL CIRCLE

2017 PROGRAM SUMMARY

2017 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>21,475</p> <p>Tonnes of material sold</p>	<p>Collected</p>  <p>18,364</p> <p>Tonnes of material collected</p>	<p>Recovered²</p>  <p>86%</p> <p>Percent of material recovered</p>	<p>Per Capita³</p>  <p>13.7 kg</p> <p>Kilograms collected per capita</p>	<p>Markets</p> <p>11% Crumb/ Manufactured</p> <p>12% Cut/Fabricated</p> <p>77% 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>1,525</p> <p>Registered year-round collection sites</p>	<p>Communities</p>  <p>139</p> <p>Number of Communities and First Nations registered with Tire Stewardship Manitoba</p>		

2017 PROGRAM PERFORMANCE SUMMARY – CONTINUED

Awareness

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

Population



of 4,321
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



\$330

Per tonne of material collected

General and Administrative



\$31

Per tonne of material collected

Stewardship



\$10

Per tonne of material collected

Total Program



\$371

Per tonne of material collected

2017 MATERIAL RECOVERY SUMMARY

MATERIAL	AMOUNT GENERATED ¹	AMOUNT RECOVERED	% RECOVERED ²
Tires and Tubes	21,475 tonnes	18,364 tonnes	86%

2017 FINANCIAL SUMMARY

CATEGORY	AMOUNT	COMMENTS
Annual Expenses	\$6,815,365	Sum of recycling costs, stewardship programs and general and administrative expenses
Stabilization Reserve	\$4,740,267	Funds are restricted to meet financial obligations of the organization
Addition/(draw down) from previous year	[\$661,812]	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 86% 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 1,343,000 in 2017 (Source: Manitoba Bureau of Statistics)

TREADING NEW GROUND

NOTABLE INITIATIVES DURING 2017

2017 COMMUNITY GRANTS

The TSM Community Demonstration and Innovations Grant Program provided 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 2017, there were 14 community projects that received \$107,490 in funding from Tire Stewardship Manitoba.

RESEARCH PROJECTS

TSM continued to support Manitoba post-secondary applied research such as Red River College's Experimental House Project that assesses the technical and commercial viability of Tire Derived Aggregate (TDA) used as back-fill under concrete slab floors and outside concrete basement walls replacing mineral aggregate; a University of Manitoba Master Thesis project using TDA in a rural residential septic system application; and an Honours Thesis assessing the use of TDA in a constructed wetland filtration system of a municipal wastewater lagoon.



Municipal Road Repair using Tire Derived Aggregate, Strollway Street, Town of Winnipeg Beach.

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 2017, TSM attended 19 community events that attracted over 152,000 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

OTR Recycling

Manitoba Eco-Network

Manitoba Sustainable Development

TIRE STEWARDSHIP MANITOBA INC.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

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, 2017 and the statements of operations and reserve, changes in net assets 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, 2017 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 21, 2018

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 1,270,481	\$ 1,416,180
Interest receivable	111,748	333,481
Accounts receivable	70,859	-
Prepaid expenses	10,235	10,108
Marketable securities <i>(Note 3)</i>	950,000	2,000,000
	2,413,323	3,759,769
INVESTMENTS <i>(Note 4)</i>	3,009,402	2,048,460
CAPITAL ASSETS <i>(Note 5)</i>	10,948	15,022
	\$ 5,433,673	\$ 5,823,251
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 657,046	\$ 387,185
Goods and services tax payable	36,360	33,986
	693,406	421,171
NET ASSETS		
Stabilization reserve <i>(Note 6)</i>	4,740,267	5,402,080
	\$ 5,433,673	\$ 5,823,251

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

See Accompanying Notes

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF OPERATIONS AND RESERVE

YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Steward fees	\$ 5,921,533	\$ 5,597,365
Interest	232,020	153,394
	6,153,553	5,750,759
RECYCLING INCENTIVES		
Processing	3,276,424	2,976,399
Collection	2,521,568	2,588,311
Municipal storage	137,482	152,217
Manufacturing	127,144	69,792
	6,062,618	5,786,719
GROSS MARGIN	90,935	(35,960)
STEWARDSHIP PROGRAMS		
Community demonstration grants	107,490	258,489
Public education program	55,239	82,900
Tire recycling innovation grants	-	47,416
Special projects	17,911	19,909
	180,640	408,714
GENERAL AND ADMINISTRATIVE		
Advertising and communications	24,073	64,044
Administration and corporate	548,034	547,495
Green Manitoba agreement	-	39,349
	572,107	650,888
NET OPERATING SURPLUS (DEFICIT)	\$ (661,812)	\$ (1,095,562)

See Accompanying Notes

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET ASSETS – BEGINNING OF YEAR	\$ 5,402,079	\$ 6,497,641
Deficiency of revenue over stewardship programs	(661,812)	(1,095,562)
NET ASSETS – END OF YEAR	\$ 4,740,267	\$ 5,402,079

See Accompanying Notes

TIRE STEWARDSHIP MANITOBA INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Net operating surplus (deficit)	\$ (661,812)	\$ (1,095,562)
Item not affecting cash:		
Amortization of capital assets	4,074	5,510
	(657,738)	(1,090,052)
Changes in non-cash working capital:		
Accounts receivable	(70,859)	–
Interest receivable	221,733	(3,193)
Accounts payable	269,860	(180,361)
Prepaid expenses	(127)	(1,309)
GST payable (receivable)	2,374	(2,231)
	422,981	(187,094)
Cash flow used by operating activities	(234,757)	(1,277,146)
INVESTING ACTIVITIES		
Purchase of capital assets	–	(1,237)
Proceeds from marketable securities	1,600,000	800,000
Proceeds from long term investments	(1,510,942)	460,693
Cash flow from investing activities	89,058	1,259,456
DECREASE IN CASH FLOW	(145,699)	(17,690)
CASH – BEGINNING OF YEAR	1,416,180	1,433,870
CASH – END OF YEAR	\$ 1,270,481	\$ 1,416,180
CASH CONSISTS OF:		
Cash	\$ 1,270,481	\$ 1,416,180

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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. MARKETABLE SECURITIES

Marketable securities consist of two guaranteed investment certificates. One with an interest rate of 1.05% and a maturity date of June 1, 2018 and one with an interest rate of 2.20% and a maturity date of December 3, 2018.

4. INVESTMENTS

	2017	2016
Guaranteed Investment Certificates (GICs)	\$ 950,000	\$ 1,500,000
CI Signature Canadian Balanced mutual funds	2,059,402	548,460
	\$ 3,009,402	\$ 2,048,460

5. CAPITAL ASSETS

	COST	ACCUMULATED AMORTIZATION	2017 NET BOOK VALUE	2016 NET BOOK VALUE
Computer equipment	\$ 48,177	\$ 40,692	\$ 7,485	\$ 10,693
Computer software	6,759	6,759	-	-
Office equipment	18,053	14,590	3,463	4,329
	\$ 72,989	\$ 62,041	\$ 10,948	\$ 15,022

6. 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 \$661,812 was transferred from the reserve to fund the Organization's net operating deficit during 2017. The ending balance includes \$10,948 (2016 – \$15,022) invested in Capital Assets.

	2017	2016
Stabilization reserve, opening balance	\$ 5,402,079	\$ 6,497,642
Net operating surplus (deficit)	(661,812)	(1,095,562)
	\$ 4,740,267	\$ 5,402,080

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

7. ESTIMATED TIRE PROCESSING INVENTORY

The Organization estimates that at December 31, 2017 tire processors held 6,249 metric tonnes of tires in their inventory. If all tires in inventory were processed the Organization estimates that approximately \$999,840 would be payable to the tire processors.

8. 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

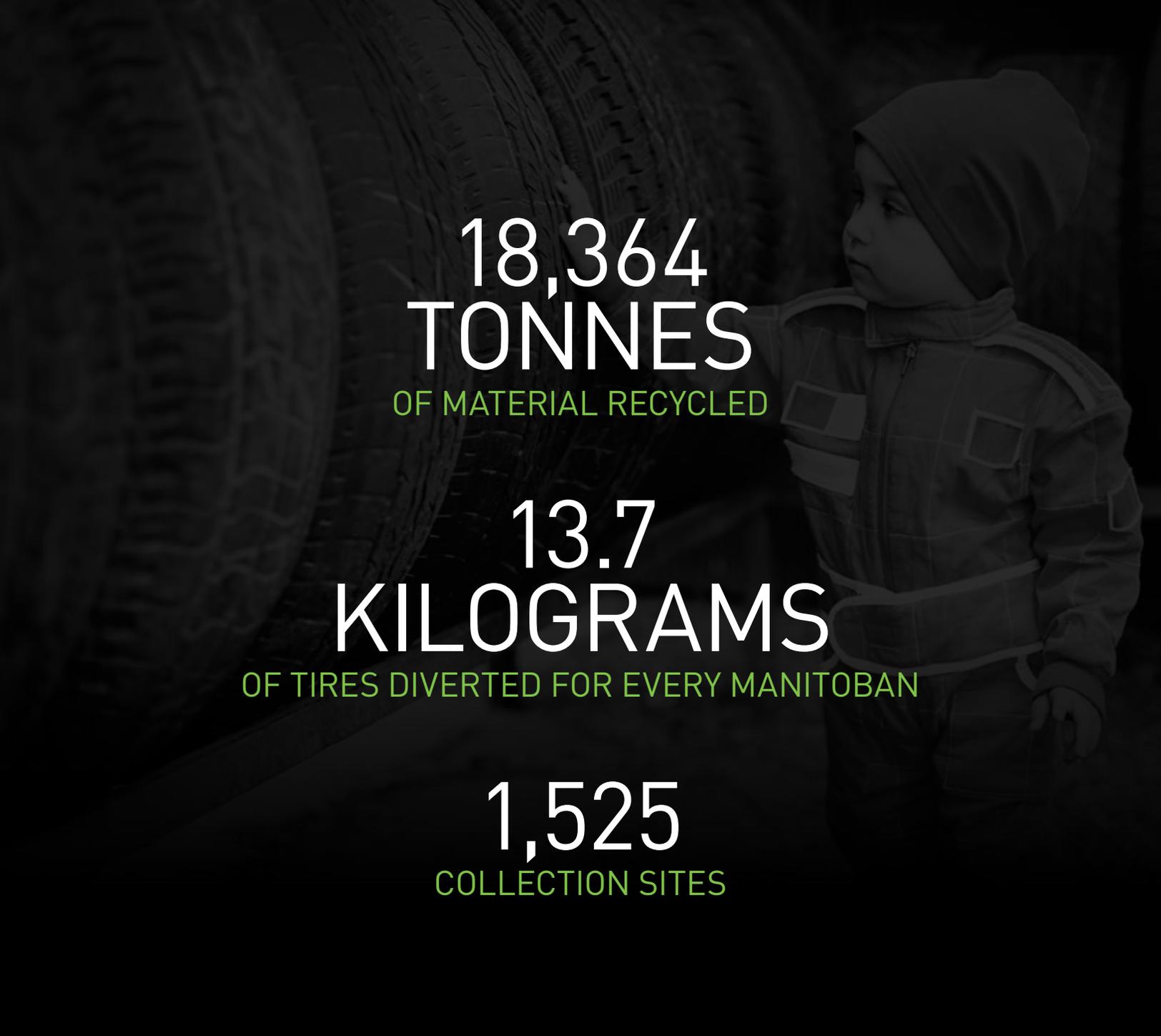
Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk results from its dependence on the receipt of tire recycling fees, collections of accounts receivable, purchasing commitments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

A child in a winter jacket is looking at a large tire tread. The background is dark and textured with tire treads.

18,364
TONNES

OF MATERIAL RECYCLED

13.7
KILOGRAMS

OF TIRES DIVERTED FOR EVERY MANITOBBAN

1,525

COLLECTION SITES

100%

OF STEWARD-FEES COLLECTED GO TOWARD
PROGRAM OPERATION AND ENHANCEMENT



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Manitoba

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