

Call2Recycle Canada, Inc.
Financial Statements
For the Year Ended December 31, 2019

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Call2Recycle Canada, Inc.
Financial Statements
For the Year Ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Call2Recycle Canada, Inc.

Opinion

We have audited the financial statements of Call2Recycle Canada, Inc. (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net asset 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 financial performance 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Brandon, Manitoba
REPORT DATE TBD

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Call2Recycle Canada, Inc.
Statement of Financial Position

December 31	2019	2018
Assets		
Cash (Notes 2, 3)	\$ 2,294,167	\$ 1,106,298
Accounts receivable	5,988,826	6,013,381
Marketable securities (Note 4)	19,683,857	17,757,082
Other assets	534,585	160,214
	<u>\$ 28,501,435</u>	<u>\$ 25,036,975</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses (Notes 5, 8)	<u>\$ 2,103,975</u>	<u>\$ 2,689,351</u>
Unrestricted Net Assets		
Undesignated	8,692,573	7,006,452
Board Designated (Note 7)	17,704,887	15,341,172
	<u>26,397,460</u>	<u>22,347,624</u>
	<u>\$ 28,501,435</u>	<u>\$ 25,036,975</u>

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

Call2Recycle Canada, Inc.
Statement of Changes in Net Assets

For the year ended December 31	Undesignated	Board Designated	2019 Total	2018 Total
Balance, beginning of the year	\$ 7,006,452	\$ 15,341,172	\$ 22,347,624	\$ 13,722,231
Excess of revenues over expenses	1,686,121	2,363,715	4,049,836	8,625,393
Balance, end of the year	\$ 8,692,573	\$ 17,704,887	\$ 26,397,460	\$ 22,347,624

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

Call2Recycle Canada, Inc.
Statement of Operations

For the year ended December 31	2019	2018
Revenues		
Steward fees	\$ 18,507,312	\$ 22,772,659
Investment income (loss)	1,107,363	(307,651)
Other	170,381	363,127
	<u>19,785,056</u>	<u>22,828,135</u>
Expenses		
Material management and processing	11,096,684	9,416,787
Public education and awareness	1,758,872	2,070,815
Other (salary, professional, administrative)	2,879,664	2,715,140
	<u>15,735,220</u>	<u>14,202,742</u>
Excess of revenues over expenses	\$ 4,049,836	\$ 8,625,393

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

Call2Recycle Canada, Inc.
Statement of Cash Flows

For the year ended December 31 **2019** **2018**

Cash flows from operating activities:		
Excess of revenues over expenses	\$ 4,049,836	\$ 8,625,393
Items not affecting cash:		
Net realized and unrealized loss (gain) on investments	(824,371)	379,524
	3,225,465	9,004,917
Changes in non-cash working capital:		
Accounts receivable	24,555	(491,805)
Accounts payable and accrued liabilities	(585,376)	486,151
Other assets	(374,371)	(62,633)
	2,290,273	8,936,630
Cash flows from investing activities:		
Marketable securities	(1,102,404)	(9,561,211)
Net increase (decrease) in cash	1,187,869	(624,581)
Cash, beginning of the year	1,106,298	1,730,879
Cash, end of the year	\$ 2,294,167	\$ 1,106,298

Call2Recycle Canada, Inc.

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>Call2Recycle Canada, Inc. (the Organization) is a not-for-profit organization formed on January 1, 2017. The Organization's head office is registered in Toronto, Ontario, and conducts its operations throughout all of Canada.</p> <p>The Organization's purpose is to promote social welfare by addressing environmental concerns related to the recycling or proper disposal of consumer batteries. The Organization operates battery collection and recycling programs and educates the public with respect to the proper disposal and recycling of batteries.</p> <p>The Organization seeks to be the leader in the environmentally sound collection, transportation and recycling of batteries. The Organization is committed to a cleaner, healthier environment through public education on battery recycling. All aspects of the Organization's business are conducted in an environmentally sensitive manner, as the Organization is convinced that sound environmental product stewardship and sound business practices go hand in hand.</p> <p>The Organization is exempt from income tax under Section 149(1) of the Income Tax Act (Canada).</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Revenue Recognition	<p>The Organization follows the deferral method of accounting for revenues.</p> <p>Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized as revenue in the year in which the related expenses are incurred.</p> <p>Steward fees are received from legally obligated stewards in 4 regulated provinces (BC, MB, PEI and QC), and from non-legally obligated battery manufacturers in all other jurisdictions based on sales into those jurisdictions. The Organization recognizes these fees as revenue in the year that battery units are sold by the stewards to consumers and businesses.</p> <p>The costs of the corresponding collection and recycling for some of these batteries may occur in future years, and those associated costs are reported as expenses of the Organization in the year that they are incurred. Call2Recycle Canada, Inc. is committed to the collection and recycling of these batteries.</p>

Call2Recycle Canada, Inc. Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Revenue Recognition - Continued Unrestricted net investment income is recognized as revenue when earned.

Unrestricted revenues from the sales of recycled materials are recognized in income when the recovered materials are sold and the amount to be recovered can be estimated and collection is reasonable assured.

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Use of Estimates The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant items subject to such estimates and assumptions include:

- accrued expenses
- allocation of expenses
- allowance for doubtful accounts

Accounts Receivable Uncollectable amounts receivable are written off at the time the accounts are determined to be uncollectible. There is no allowance for doubtful accounts at December 31, 2019 as management of the Organization considers any possible bad debts to be negligible.

Expenses Material management and processing costs are recorded when the collection and processing services (freight, handling, recycling of materials) has been provided. Other expenditures are recognized as incurred.

Call2Recycle Canada, Inc. Notes to Financial Statements

December 31, 2019

2. Cash

The Organization maintains the majority of its cash balance in a Canadian financial institution. The Canada Deposit Insurance Corporation (CDIC) insures this account up to \$100,000 for this financial institution. From time to time the aggregate funds held in this institution may exceed the CDIC insured limits and may not be covered by CDIC insurance. Management does not anticipate any material effect on the financial position of the Organization as a result of this concentration.

3. Line of Credit

The Organization has a line of credit agreement with a bank which provides borrowings up to \$1,500,000. Borrowings under the agreement bear interest at Canadian Dollar Offer Rate plus 2%. At December 31, 2019, there were no borrowings against the line of credit. Borrowings under the line of credit are secured by substantially all of the investments held by the Organization.

4. Marketable Securities

The carrying amounts of investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
At fair value:		
Cash held for long-term investment	\$ 3,164,470	6,388,721
Equity investments	4,518,109	3,736,218
Bonds	10,208,273	6,025,198
Real estate	937,260	760,963
Hedge fund investments	855,745	845,982
	<u>\$ 19,683,857</u>	<u>\$ 17,757,082</u>

Call2Recycle Canada, Inc. Notes to Financial Statements

December 31, 2019

5. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$505,813 (2018 - \$729,097).

6. Board Designated Net Assets

The Organization's governing board has designated \$17,704,887 (2018 - \$15,341,172) as of December 31, 2019 for future use in the regulated provinces of Quebec, Prince Edward Island, British Columbia and Manitoba. The designated balances by regulated province are as follows:

Quebec	\$ 11,250,048
British Columbia	4,870,911
Manitoba	1,704,325
Prince Edward Island	<u>(120,397)</u>
Total	<u>\$ 17,704,887</u>

7. Allocation of Expenses

Expenses are charged directly to their respective jurisdiction based on actual costs as incurred. When expenses are not identified to a specific jurisdiction, but benefit all jurisdictions, they are allocated among the jurisdictions based on the Organization's allocation methodology. Collections and processing costs are allocated based on battery collections for each jurisdiction. Salary and benefits are allocated based on employee time allocation by jurisdiction. Other expenses, including professional fees, general marketing, communication and promotion, shared service costs, office supplies, and occupancy, which cannot be identified with a specific jurisdiction are allocated based on the percentage of all battery collections for each jurisdiction.

8. Significant Contractual Arrangements

The Organization is governed by a Board of Directors that is separate and independent of its former parent entity, but continues to contract accounting and managerial services from Call2Recycle, Inc. US. Fees paid for contracted services to Call2Recycle, Inc. US for 2019 were CDN \$1,661,011 (2018 - \$1,392,570). This fee is assessed to the Organization net of a US \$420,000 (2018 - \$480,000) fee recovery collected by Call2Recycle, Inc. US for battery seal license fees collected from US battery companies who are selling into certain Canadian markets. Included in accounts payable and accrued expenses is an amount of \$297,984 receivable (2018 - \$614,500 payable) in respect of these contracted services.

Call2Recycle Canada, Inc.

Notes to Financial Statements

December 31, 2019

9. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that the registrants of the Organization defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. The Organization's registrants are numerous and diverse, which reduces the concentration of risk. Management closely evaluates the collectibility to mitigate this risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Organization is exposed to financial risk that arises from fluctuations in the sale of recyclable batteries and consumer electronic products. This risk is minimized by an expected corresponding decrease in program delivery and recycling process expenses and by the regulations established by the respective Department of the Environment in each jurisdiction in which the Organization operates.

The Organization is exposed to market risk through its investment in marketable securities, the value of which changes through fluctuations in market values. The investment policies of the Organization are designed to mitigate this risk through diversification of the portfolio.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency risk as a result of its significant contractual arrangement for accounting and managerial services with a US organization.

10. Subsequent Event

Subsequent to year-end, the impact of COVID-19 in Canada and on the global economy increased significantly. This has resulted in worldwide emergency measures to combat the spread of the virus. As the impacts of COVID-19 continue there could be further impact on the Organization, as well as the market value of investments and the magnitude of battery collection services. At this time, the full potential impact of COVID-19 on the entity is not known.

Call2Recycle Canada, Inc.
Notes to Financial Statements

December 31, 2019

11. Commitments

The Organization has entered into various lease commitments for building rentals. Expected payments over the next five years are as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Quebec	7,354	36,772	-	-	-
British Columbia	22,650	25,368	18,120	-	-
Ontario	69,030	76,120	51,310	80,501	82,691
	<u>99,034</u>	<u>138,260</u>	<u>69,430</u>	<u>80,501</u>	<u>82,691</u>

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Call2Recycle Canada, Inc.
Schedule of Operations by Province

For the year ended December 31, 2019

Revenue	QC	Regulated Provinces			PEI	Total	General and Other Jurisdictions	Grand Total	2018
		BC	MB						
Steward fees	\$ 7,252,032	\$ 4,865,217	\$ 1,259,922	\$ 141,631	\$ 13,518,802	\$ 4,988,510	\$ 18,507,312	\$22,772,659	
Investment income (loss)	452,935	196,106	68,617	-	717,658	389,705	1,107,363	(307,651)	
Other	75,658	30,539	5,447	1,122	112,766	57,615	170,381	363,127	
Total revenue	7,780,625	5,091,862	1,333,986	142,753	14,349,226	5,435,830	19,785,056	22,828,135	
Expenses									
Material management and processing	4,474,759	3,079,254	561,909	150,379	8,266,301	2,830,383	11,096,684	9,416,787	
Public education and awareness	843,238	459,466	177,444	79,898	1,560,046	198,826	1,758,872	2,070,815	
Other (salary, professional, administrative)	1,204,463	777,888	143,940	32,873	2,159,164	720,500	2,879,664	2,715,140	
Total expense	6,522,460	4,316,608	883,293	263,150	11,985,511	3,749,709	15,735,220	14,202,742	
Excess (deficiency) of revenues over expenses	1,258,165	775,254	450,693	(120,397)	2,363,715	1,686,121	4,049,836	8,625,393	
Beginning of year net assets	9,991,883	4,095,657	1,253,632	-	15,341,172	7,006,452	22,347,624	13,722,231	
Excess (deficiency) of revenues over expenses	1,258,165	775,254	450,693	(120,397)	2,363,715	1,686,121	4,049,836	8,625,393	
End of year net assets (deficiency)	\$ 11,250,048	\$ 4,870,911	\$ 1,704,325	\$ (120,397)	\$ 17,704,887	\$ 8,692,573	\$ 26,397,460	\$22,347,624	

Call2Recycle Canada, Inc.
Schedule of Operations - Quebec

For the year ended December 31	2019	2018
Revenues		
Steward fees	\$ 7,252,032	\$ 10,412,969
Investment income (loss)	452,935	(138,999)
Other	75,658	162,972
	<u>7,780,625</u>	<u>10,436,942</u>
Expenses		
Material management and processing	4,474,759	3,884,183
Public education and awareness	843,238	1,122,485
Other (salary, professional, administrative)	1,204,463	1,229,087
	<u>6,522,460</u>	<u>6,235,755</u>
Excess of revenues over expenses	1,258,165	4,201,187
Net assets, beginning of year	<u>9,991,883</u>	<u>5,790,696</u>
Net assets, end of year	<u>\$ 11,250,048</u>	<u>\$ 9,991,883</u>

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Call2Recycle Canada, Inc.
Schedule of Operations - British Columbia

For the year ended December 31	2019	2018
Revenues		
Steward fees	\$ 4,865,217	\$ 5,845,592
Investment income (loss)	196,106	(56,975)
Other	30,539	70,229
	<u>5,091,862</u>	<u>5,858,846</u>
Expenses		
Material management and processing	3,079,254	2,509,777
Public education and awareness	459,466	507,257
Other (salary, professional, administrative)	777,888	690,542
	<u>4,316,608</u>	<u>3,707,576</u>
Excess of revenues over expenses	775,254	2,151,270
Net assets, beginning of year	<u>4,095,657</u>	<u>1,944,387</u>
Net assets, end of year	<u>\$ 4,870,911</u>	<u>\$ 4,095,657</u>

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Call2Recycle Canada, Inc.
Schedule of Operations - Manitoba

For the year ended December 31	2019	2018
Revenue		
Steward fees	\$ 1,259,922	\$ 1,353,781
Investment income (loss)	68,617	(17,439)
Other	5,447	13,508
	<u>1,333,986</u>	<u>1,349,850</u>
Expenses		
Material management and processing	561,909	389,844
Public education and awareness	177,444	186,867
Other (salary, professional, administrative)	143,940	117,494
	<u>883,293</u>	<u>694,205</u>
Excess of revenues over expenses	450,693	655,645
Net assets, beginning of year	<u>1,253,632</u>	<u>597,987</u>
Net assets, end of year	<u>\$ 1,704,325</u>	<u>\$ 1,253,632</u>

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Call2Recycle Canada, Inc.
Schedule of Operations - Prince Edward Island

For the year ended December 31	2019	2018
Revenue		
Steward Fees	\$ 141,631	\$ -
Other	1,122	-
	<u>142,753</u>	<u>-</u>
Expenses		
Material management and processing	150,379	
Public education and awareness	79,898	
Other (salary, professional, administrative)	32,873	
	<u>263,150</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	(120,397)	-
Net assets, beginning of year	-	-
Net assets (deficiency), end of year	<u>\$ (120,397)</u>	<u>\$ -</u>

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