

**PRODUCT CARE ASSOCIATION OF CANADA**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2023**

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Financial Statements**

For the year ended 31 December 2023

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## INDEPENDENT AUDITORS' REPORT

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To the Members,  
Product Care Association of Canada

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Product Care Association of Canada (the "Association"), which comprise the statement of financial position as at 31 December 2023, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association 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 various Annual Reports that the Association issues for its provincial recycling programs (the "Annual Reports").

Our opinion on the financial statements does not cover the other information and we do not and will 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.

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## INDEPENDENT AUDITORS' REPORT - Continued

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We obtained certain sections of the Association's Annual Reports prior to the date of this auditors' report. 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 auditors' report. We have nothing to report in this regard.

The complete Annual Reports are expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### **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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### **Auditors' 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 auditors' 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.

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## INDEPENDENT AUDITORS' REPORT - Continued

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- ◆ 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association 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.

*Rolfe Benson LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
28 May 2024

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Statement of Financial Position**  
31 December 2023

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 4,970,393	\$ 7,803,169
Term deposits (Note 5(a))	18,065,004	11,166,649
Accounts receivable	4,444,127	3,263,440
Prepaid expenses and deposits	668,253	686,378
	28,147,777	22,919,636
<b>Restricted cash (Note 3)</b>	<b>2,012,131</b>	<b>2,151,872</b>
<b>Forgivable loans (Note 4)</b>	<b>373,375</b>	<b>347,977</b>
<b>Term deposits (Note 5(b))</b>	<b>1,500,000</b>	<b>9,695,138</b>
<b>Investments - at market value</b>	<b>26,402,161</b>	<b>23,941,026</b>
<b>Tangible capital assets (Note 7)</b>	<b>14,514,493</b>	<b>14,970,974</b>
<b>Intangible assets (Note 8)</b>	<b>50,000</b>	<b>50,000</b>
	<b>\$ 72,999,937</b>	<b>\$ 74,076,623</b>

**Liability**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 8,398,461	\$ 6,661,229

Commitments (Note 11)  
Contingencies (Note 10)

**Net Assets**

Unrestricted	11,207,548	3,627,298
Invested in tangible capital and intangible assets	14,564,493	15,020,974
Internally restricted (Note 6)	36,817,304	46,615,250
Externally restricted (Note 12)	2,012,131	2,151,872
	64,601,476	67,415,394
	<b>\$ 72,999,937</b>	<b>\$ 74,076,623</b>

APPROVED BY THE DIRECTORS:



Director



Director

The accompanying notes are an integral part of these financial statements

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Statement of Changes in Net Assets**  
For the year ended 31 December 2023

	Unrestricted (Note 18)	Invested in Tangible Capital and Intangible Assets	Externally restricted (Note 18)	Internally restricted	Total 2023	Total 2022
<b>Net assets - beginning of year</b>	\$ 3,627,298	\$ 15,020,974	\$ 2,151,872	\$ 46,615,250	<b>\$ 67,415,394</b>	\$ 70,921,256
Deficiency of revenues over expenses for the year	(2,093,466)	(720,452)	-	-	<b>(2,813,918)</b>	(3,505,862)
Transfer to invested in tangible capital and intangible assets	(263,971)	263,971	-	-	-	-
Transfer from internally restricted reserve (Note 6)	11,545,998	-	-	(11,545,998)	-	-
Transfer to internally restricted (Notes 11(b) and (c))	(1,748,052)	-	-	1,748,052	-	-
Transfer to externally restricted (Note 12)	(625,759)	-	625,759	-	-	-
Transfer to unrestricted (Note 10(b))	765,500	-	(765,500)	-	-	-
<b>Net assets - end of year</b>	<b>\$ 11,207,548</b>	<b>\$ 14,564,493</b>	<b>\$ 2,012,131</b>	<b>\$ 36,817,304</b>	<b>\$ 64,601,476</b>	<b>\$ 67,415,394</b>

The accompanying notes are an integral part of these financial statements

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Statement of Operations**  
For the year ended 31 December 2023

	<b>2023</b>	<b>2022</b>
		(Note 18)
<b>Revenues (Note 17)</b>	<b>\$ 41,781,651</b>	<b>\$ 39,941,245</b>
<b>Expenses</b>		
Processing	21,424,552	19,318,015
Collections	10,690,442	10,311,028
Transportation	7,509,321	6,447,522
Program administration	4,094,430	3,064,855
General and administration	4,417,644	3,610,799
	<u>48,136,389</u>	<u>42,752,219</u>
<b>Deficiency of revenues over expenses from operations</b>	<u>(6,354,738)</u>	<u>(2,810,974)</u>
<b>Other income (expense)</b>		
Investment income	1,442,671	690,877
Interest income	1,079,685	509,750
Unrealized gain (loss) on investments	1,017,308	(1,896,706)
Gain on sale of marketable securities	1,156	1,191
	<u>3,540,820</u>	<u>(694,888)</u>
<b>Deficiency of revenues over expenses for the year</b>	<u>\$ (2,813,918)</u>	<u>\$ (3,505,862)</u>

The accompanying notes are an integral part of these financial statements



**PRODUCT CARE ASSOCIATION OF CANADA**  
**Statement of Cash Flows**  
For the year ended 31 December 2023

	<b>2023</b>	<b>2022</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Deficiency of revenues over expenses for the year	\$ (2,813,918)	\$ (3,505,862)
Items not involving cash		
Market value adjustments	(1,017,308)	1,896,706
Amortization	720,452	685,577
Loans forgiven	72,652	60,073
Gain on sale of marketable securities	(1,156)	(1,191)
	(3,039,278)	(864,697)
Changes in non-cash working capital balances		
Accounts receivable	(1,180,687)	(311,416)
Prepaid expenses and deposits	18,125	(476,929)
Accounts payable and accrued liabilities	1,737,233	(559,726)
	(2,464,607)	(2,212,768)
<b>Investing activities</b>		
Redemption (purchase) of term deposits	1,296,782	(145,427)
Restricted cash	139,741	(23,278)
Purchase of capital assets - net	(263,971)	(328,409)
Purchase of investments	(1,442,671)	(690,877)
	(270,119)	(1,187,991)
<b>Financing activity</b>		
Issuance of forgivable loans	(98,050)	(35,656)
	(98,050)	(35,656)
<b>Net decrease in cash and cash equivalents</b>	<b>(2,832,776)</b>	<b>(3,436,415)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>7,803,169</b>	<b>11,239,584</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 4,970,393</b>	<b>\$ 7,803,169</b>

The accompanying notes are an integral part of these financial statements

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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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**1. Nature of operations**

On 7 May 2001, Product Care Association (the “Association”) was incorporated under the Canada Corporations Act. The new entity was the result of the amalgamation of PPC Paint and Product Care Association and Consumer Product Care Association. Effective 7 January 2015, the Association filed Articles of Continuance under the Canada Not-for-Profit Corporations Act and changed its name to Product Care Association of Canada. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The purpose of the Association is to design, implement, and operate product stewardship programs in Canada or elsewhere. Product stewardship programs are industry funded and managed programs which provide a collection system to consumers for unwanted products. The program then takes responsibility for the recycling and proper disposal of the waste products. Products accepted by the Association’s stewardship programs include: paint, pesticides, flammable liquids and other household hazardous waste, lighting products and smoke and carbon monoxide alarms. The Association operates product stewardship programs for some or all of these products in BC, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

**2. Summary of significant accounting policies**

The Association applies the Canadian accounting standards for not-for-profit organizations.

(a) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market and investments in other securities, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, restricted cash, term deposits, accounts receivable, and forgivable loans.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association’s financial assets measured at fair value include investments which are comprised of various investments in mutual funds.

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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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**2. Summary of significant accounting policies - Continued**

(a) Financial instruments - Continued

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(iii) Transaction costs

The Association recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(b) Cash and cash equivalents

The Association's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the Association cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

(c) Tangible capital assets

Tangible capital assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building	25 years
Office equipment	2 years
Depot equipment	2, 3 and 5 years

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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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**2. Summary of significant accounting policies - Continued**

(d) Intangible assets

Intangible assets are recorded at cost. The Association provides for amortization using the following methods at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate is as follows:

ERP software	5 years
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Intangible assets with an indefinite life are not amortized and are assessed annually for impairment.

(e) Impairment of long-lived assets

The Association tests long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recovered. When a tangible capital asset or intangible asset no longer contributes to the services provided by the Association its carrying value amount is written down to its residual value. No impairment losses were determined by management to be necessary for the year.

(f) Revenue recognition

Environmental Handling Fees (EHFs) are received from registered members within the provinces which participate in the Association's programs. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. EHF's revenues are recognized as individual members report and remit them as required by the Association's membership agreement which is by the end of the month following the reporting period that the designated program materials were sold by the member.

Members are obligated to remit EHF's for all products sold from the earlier of the programs' start date or the date when the member started selling obligated products. If, for any reason, a member omits reporting and remitting EHF's associated with sold program products, the Association will recognize those EHF's as revenue when the amounts are determinable by the Association.

Other contract fees are recognized as revenue upon completion of the services provided.

Investment income includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses are reported in the statement of operations. Investment income is recognized as revenue when earned.

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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
For the year ended 31 December 2023

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**2. Summary of significant accounting policies - Continued**

(g) Use of estimates

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 amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Accounts and disclosures subject to estimates include amortization of tangible capital and intangible assets, accrued liabilities, revenue recognized for EHF's receivable and commitments for unprocessed product on hand. Management believes that estimates utilized in preparing the financial statements are prudent and reasonable, however, actual results could differ from those estimates.

(h) Foreign exchange

Monetary assets and liabilities of the Association which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in the statement of operations.

**3. Restricted cash**

Restricted cash is comprised of the following amounts:

	<b>2023</b>	<b>2022</b>
Quebec Recycfluo Program Reserve (Note 12)	<b>\$ 2,012,131</b>	\$ 1,386,372
Ontario Fee Reduction Reserve (Note 10(b))	-	765,500
	<b>\$ 2,012,131</b>	<b>\$ 2,151,872</b>

The restricted cash for the Quebec RecycFluo Program Reserve is comprised of \$1,453,905 of cash held in a segregated bank account and \$558,226 of cash allocated from the Association's cash and cash equivalents. Subsequent to year end the Association has transferred \$558,226 of cash to the Quebec RecycFluo Program's segregated bank account.

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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
For the year ended 31 December 2023

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**4. Forgivable loans**

The Association has advanced funds in the form of forgivable loans to various organizations for the development of collection facilities for specific programs (Note 11(b)). Providing that the collection facility commences operations and meets the various criteria in the collection site agreement, these funds and any related interest are forgiven at the rate of 10% or 20% of the original amount of the loan on each anniversary of the commencement of the collection site's operations. If the development of the collection facility is not completed, or the collection facility does not commence operations, the amounts advanced are repayable to the Association plus interest at 8% per annum.

	2023	2022
Balance - beginning of year	\$ 347,977	\$ 372,394
Funds advanced during the year	98,050	35,656
Loans forgiven during the year	(72,652)	(60,073)
Balance - end of year	\$ 373,375	\$ 347,977

**5. Term deposits**

(a) Short-term

As at 31 December 2023, the Association held term deposits of \$18,065,004 (2022 - \$11,166,649) with maturity dates ranging from 10 January 2024 to 18 August 2024 and bearing interest at 1.50% to 5.84% per annum which have been classified as a short-term assets.

(b) Long-term

As at 31 December 2023, the Association held a term deposit totalling \$1,500,000 (2022 - \$9,695,138) with maturity date of 14 August 2025 and bearing interest at 5.84% per annum which has been classified as long-term assets.

**6. Internally restricted net assets**

During the prior year, the Directors of the Association approved the PCA Members' Net Assets Management and Allocation Policy, which includes the establishment of an internally restricted PCA Program Reserve Fund and resulted in the closure of the previous internally restricted Reserve Fund. The PCA program Reserve Fund is presented as internally restricted net assets on the statement of financial position and statement of changes in net assets.

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
For the year ended 31 December 2023

**6. Internally restricted net assets - Continued**

The purpose of the PCA Program Reserve Fund is as follows:

- stabilizing eco fees by being available to manage year to year volume fluctuations;
- covering the costs of winding up the Association by the decision of the members or as consequence of regulatory change, in an orderly manner, not to exceed two years;
- to cover the cost of unanticipated or extraordinary items;
- Interim funding of program expansion;
- to fund other special projects (such as the acquisition or construction of a building);
- to fund the purchase of capital equipment; and
- to act as a sinking fund to cover the cost of managing products with long life spans, for which collection may occur well in the future

The balance of the PCA Program Reserve Fund shall be equal to or be less than programs' total expenses recorded in the most recently completed year, and should never fall below six months of the programs' total expenses. At the discretion of the Directors, the balance of the PCA Program Reserve Fund may exceed the most recent year's expenses in cases where programs have elevated risks due to market conditions compounded with long life spans of associated program products. The amount of the PCA program reserve threshold is recalculated on an annual basis and the reserve value is adjusted accordingly at year end for the associated year which is presented in the statement of changes in net assets as a fund transfer.

The assets in the PCA Program Reserve Fund consist of cash, term deposits and investments in fixed income and equity securities, and are independently managed.

During the year, \$11,545,998 was transferred from the internally restricted net assets to the unrestricted net assets (2022 - \$46,615,250 was transferred from unrestricted net asset to internally restricted net assets).

The balance of internally restricted net assets is comprised of the following amounts:

	<b>2023</b>	2022
PCA Program Reserve Fund	<b>\$ 35,069,252</b>	\$ 46,615,250
Funds available for the development of collection facilities (Note 11(b))	<b>748,052</b>	-
Funds available for the development of Saskatchewan collection facilities (Note 11(c))	<b>1,000,000</b>	-
	<b>\$ 36,817,304</b>	\$ 46,615,250

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
For the year ended 31 December 2023

**7. Tangible capital assets**

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land	\$ 7,659,119	\$ -	\$ 7,659,119	\$ 7,659,119
Buildings	8,141,509	1,868,280	6,273,229	6,598,890
Depot equipment	3,410,758	2,828,613	582,145	712,965
Office equipment	5,551	5,551	-	-
	<b>\$ 19,216,937</b>	<b>\$ 4,702,444</b>	<b>\$ 14,514,493</b>	<b>\$ 14,970,974</b>

Land and buildings consist of two properties where legal ownership resides with bare trustee corporations. The Association has beneficial ownership of the properties.

Included in operating expenses and general and administrative expenses is a total of \$720,452 (2022 - \$685,577) of amortization expense.

**8. Intangible assets**

	Cost	Accumulated Amortization	2023 Net	2022 Net
ERP Software	\$ 754,986	\$ 754,986	\$ -	\$ -
Quebec RecycFluo Program	50,000	-	50,000	50,000
	<b>\$ 804,986</b>	<b>\$ 754,986</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>

During the 2012 fiscal year, the Association acquired certain intangible assets related to commencement of the Quebec RecycFluo Program for \$50,000. The intangible assets acquired consist of the program trademark and the list of program members that was established by the previous program manager. Management of the Association is of the opinion that no impairment allowance is required for the 2023 fiscal year.

**9. Accounts payable and accrued liabilities**

	2023	2022
Accounts payable and accrued liabilities	\$ 8,316,632	\$ 6,591,595
Government remittances payable	81,829	69,634
	<b>\$ 8,398,461</b>	<b>\$ 6,661,229</b>



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**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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**10. Contingencies**

- a) During the 2020 to the 2021 fiscal years, the Association accrued estimated penalties of \$810,354 as a result of the program not meeting certain material collection targets pursuant to the Regulation regarding the recycling and recovery of products by businesses. On 30 June 2022, the government of Quebec amended the Regulation and as such, the penalties accumulated in previous years have been cancelled. Due to this, during the 2022 fiscal year the Association reversed the \$810,354 of penalties previously accrued in the financial statements, which was recorded as a reduction in program administration expenses, and has not accrued any estimated penalties for the 2022 fiscal year.

The amended regulation requires certain collection targets beginning in the Association's 2023 fiscal year, and the Association will be subject to potential penalties if these targets are not met. The Association has met the required target during 2023 and has not accrued any estimated penalties for the 2023 fiscal year.

- b) Pursuant to the Surplus Fund Transfer Addendum (Note 13), the Association established a restricted reserve fund of \$765,500 from the Association's existing assets excluding the surplus funds received as part of the Fee Reduction Campaign. The purpose of the restricted reserve fund was to cover certain expenses which may be invoiced by Stewardship Ontario should there be a delay in transitioning the MHSW program to individual producer responsibility beyond 30 September 2021. In the event that there was insufficient funding in the restricted reserve fund to cover the expenses during a transitional delay, the Association was required to fund any expenses in excess of the restricted reserve fund from its own assets. During the year, the Ontario MHSW program has been formally terminated and the funds have been released and transferred into the Association's unrestricted net assets.

**11. Commitments**

- (a) The Association has a lease agreement for the Quebec office suite which expires on 31 May 2024. During the year, the Association has entered into an extension which expires on 31 May 2027.

The Association has a lease agreement for the Ontario office which expires on 29 Feb 2024. During the year, the Association has entered into an extension which expires on 28 February 2031.

The annual lease payments for the Association's premises are as follows:

2024	\$ 139,461
2025	220,799
2026	198,037
2027	149,737
2028	117,609
Thereafter	<u>256,084</u>
	<u>\$ 1,081,727</u>

**PRODUCT CARE ASSOCIATION OF CANADA**  
**Notes to the Financial Statements**  
For the year ended 31 December 2023

**11. Commitments - Continued**

- (b) In previous years, the Association's board of directors had passed resolutions to make funds up to \$1,535,000 available which can be used for the development of collection facilities for certain ongoing programs. These funds are to be disbursed at the discretion of the Association based on an application process from qualifying organizations. As of 31 December 2023, \$786,948 of loans have been disbursed from the pool of available funds (Note 4) and \$413,573 of loans have been forgiven. During the year, the Association transferred the remaining undisbursed amount available to be loaned of \$748,052 to internally restricted net assets.
- (c) In previous years, the Association's board of directors passed a resolution to make capital funding of up to \$1,000,000 available to collection sites participating in the Saskatchewan Household Hazardous Waste Program. The terms and conditions of how these funds will be disbursed have not been determined by the Association at the date of the Independent Auditors' Report. During the year, the Association transferred the remaining undisbursed amount available to be loaned of \$1,000,000 to internally restricted net assets.
- (d) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$1,041,533 (2022 - \$627,275) which will be incurred during 2024.

**12. Externally restricted net assets**

Externally restricted net assets is comprised of the following amounts:

	<b>2023</b>	2022
Quebec Recycfluo Program Reserve	<b>\$ 2,012,131</b>	\$ 1,386,372
Ontario Fee Reduction Reserve (Note 10(b))	-	765,500
	<b>\$ 2,012,131</b>	\$ 2,151,872

Pursuant to the agreement between the Association and Societe Quebecoise de recuperation et de recyclage, the Association is required to maintain a reserve fund equal to a minimum of six months and a maximum of twelve months of program operating expenses. The purpose of the reserve fund is to cover the expenses during a potential wind down of the program. During the year, the Association transferred \$558,226 from unrestricted net assets to the externally restricted net assets related to the Quebec Recycfluo Program Reserve. Additionally, interest income of \$67,533 (2022 - \$23,278) was transferred from unrestricted net assets to the Quebec Recycfluo Program Reserve resulting in a total fund transfer of \$625,759.

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**PRODUCT CARE ASSOCIATION OF CANADA**  
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**13. Ontario Fee Reduction Campaign**

On 24 June 2020, the Resource Productivity and Recovery Authority (“RRPA”) approved the Surplus Fund Transfer Addendum which, among other matters, included a transfer of surplus funds from the previous Municipal Hazardous or Special Waste (“MHSW”) program to Stewards or members of the program. On 8 July 2020, the Association entered into an agreement with Stewardship Ontario (“SO”) to distribute surplus funds from the MHSW program to the members of the Ontario PaintRecycle Program and the Ontario Pesticides, Solvents and Fertilizers Program (the “Programs”). Under the agreement the Association received total surplus funds of \$16,366,500, of which \$14,586,000 was to be distributed to members of the Ontario PaintRecycle Program and \$1,780,500 was to be distributed to members of the Ontario Pesticides, Solvents and Fertilizers Program by fee reductions and the residual funds that could not be applied towards fee reductions was to be disbursed in accordance with the residual funds addendum. The total of these funds were fully distributed as of 31 December 2021.

During the prior year, SO transferred additional funds of \$585,039, of which \$499,472 was to be distributed to members of the Ontario PaintRecycle Program and \$85,567 was to be distributed to members of the Ontario Pesticides, Solvents and Fertilizers Program. The total of these funds were fully distributed to members as of 31 December 2022.

During the prior year, the board of directors approved an extension of the Ontario Solvent fee reduction program. The extended fee reduction program is funded from the accumulated surplus generated by the Association's Solvent program which has been used to reduce EHF's owing by members.

For the year ended 31 December 2023, the extended Ontario Solvents fee reduction program resulted in a decrease in EHF revenue of \$639,974 (2022 - \$676,667). During the year, the board of directors approved the termination of the Ontario Solvent fee reduction program effective from the October 2023 reporting period.

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**14. Financial instruments**

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at the statement of financial position date, 31 December 2023.

(a) 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 Association's main credit risks relate to its cash and cash equivalents, restricted cash, term deposits, accounts receivable and forgivable loans. Cash, cash equivalents, restricted cash and term deposits are in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. Concentrations of credit risk with respect to the forgivable loans are limited to the extent that a collection facility who has received a forgivable loan does not become operational and the loan becomes repayable to the Association (Note 4). The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is not exposed to this risk due to its strong working capital position. There has been no change to the risk exposure from the prior year.

(c) 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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(d) 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 Association has investments denominated in U.S. dollars included in the reserve (Note 6). As such, these investments are exposed to foreign exchange fluctuations.

Certain assets and liabilities are exposed to foreign exchange fluctuations due to transactions denominated in foreign currency. As at 31 December 2023, cash and accounts receivable of \$271,087 USD and \$154,360 USD (2022 - \$201,114 USD and \$164,974 USD) respectively and accounts payable and accrued liabilities of \$Nil USD (2022 - \$12,275 USD) has been converted into Canadian dollars. There has been no change to the risk exposure from the prior year.

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**PRODUCT CARE ASSOCIATION OF CANADA**  
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**14. Financial instruments - Continued**

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk. There has been no change to the risk exposure from the prior year.

(f) 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 (other than those arising from interest rate risk or currency risk), 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 Association is exposed to other price risk through amounts held in investments. There has been no change to the risk exposure from the prior year.

**15. Controlled organization**

The Association controls PCA Product Stewardship Inc. ("PCA PSI") as it is the sole member of PCA PSI and has the right to appoint the majority of PCA PSI's Board of Directors.

PCA PSI was created to develop and manage programs in the USA that allow members to easily satisfy state regulations around the end of life handling of various products produced and sold by industry. PCA PSI is currently managing the Washington State LightRecycle program and the California State ThermostatCare program.

PCA PSI has not been consolidated in the Association's financial statements. Financial statements of PCA PSI are prepared in accordance with US generally accepted accounting principals FASB ASC 958, not-for-profit entities. The financial summary as at 31 December 2023 and for the year then ended are based on the unaudited financial statements as prepared by management and are translated to Canadian dollars using the current rate method.

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**15. Controlled organization - Continued**

PCA PSI

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>(unaudited)</b>	
<b>Financial Position</b>		
Total assets	<b>\$ 3,412,261</b>	<b>\$ 4,866,224</b>
Total liabilities	<b>437,819</b>	<b>1,308,165</b>
Total net assets	<b>2,974,442</b>	<b>3,558,059</b>
	<b>\$ 3,412,261</b>	<b>\$ 4,866,224</b>

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>(unaudited)</b>	
<b>Results of Operations</b>		
Total revenue	<b>\$ 2,321,228</b>	<b>\$ 3,393,312</b>
Total expenses	<b>2,831,551</b>	<b>2,333,196</b>
(Deficiency) excess of revenues over expenses	<b>\$ (510,323)</b>	<b>\$ 1,060,116</b>

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>(unaudited)</b>	
<b>Cash Flows</b>		
Cash (used in) provided by operating activities	<b>\$ (1,347,453)</b>	<b>\$ 2,121,950</b>
Increase (decrease) in cash	<b>\$ (1,347,453)</b>	<b>\$ 2,121,950</b>

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**PRODUCT CARE ASSOCIATION OF CANADA**  
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**16. Related party transactions**

The Association is related to PCA PSI (Note 15). The following summarizes the related party balances and transactions for the year.

Included in accounts receivable is \$22,019 (2022 - \$29,779) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2024 fiscal year.

Included in revenues is \$230,061 (2022 - \$270,090) charged to PCA PSI for administrative expenses.

These transactions are in the normal course of operations and have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**17. Revenue**

	<u>2023</u>	<u>2022</u>
Environmental Handling Fees	\$ 40,216,607	\$ 38,323,036
Other	<u>1,565,044</u>	<u>1,618,209</u>
	<u>\$ 41,781,651</u>	<u>\$ 39,941,245</u>

**18. Comparative figures**

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.