productcare RECYCLING

Annual Report 2023

productcare.org

About Us

Product Care Recycling is a federally incorporated industry funded not-for-profit organization that provides recycling solutions for post-consumer paint, household hazardous waste, lighting products, and alarms on behalf of its members.

Since 1994, Product Care has encouraged consumers to reduce their waste and reuse when possible, and to return unwanted products to a recycling location to ensure they are managed responsibly at their end-of-life. With thousands of recycling locations offering free product drop off across Canada, Product Care makes recycling accessible and diverts post-consumer products from landfills and waterways.

For more information about Product Care's recycling programs or to find a recycling location, visit productcare.org.

Vision

Our vision is to establish Product Care as a leader in the development and management of innovative extended producer responsibility solutions.

Mission

Our mission is to provide extended producer responsibility solutions that advance the efficiency and effectiveness of program delivery for our members, while caring for the environment, our employees, and the public.

Values

Environmental commitment
Service and member orientation
Continuous improvement
Transparency
Collaboration
Accountability

Board of Directors

Chair
Vincent Rea – PPG Canada Inc. | Paint

Vice Chair
Jeffrey Cattanach – The Home Depot | Retail

Corporate Secretary
Jason Bernard – The Sherwin-Williams Company | Paint

Dan Giansante – Rust-Oleum Canada | Other Products
David Chaulk – Cloverdale Paint | Paint
Jennifer Dolin – Lutron Electronics Co. Inc. | Lighting & Alarms
Karen Stephenson – Scotts Canada | Other Products
Marjorie Dionne – Standard Products Inc. | Lighting & Alarms
Steve Veroba – Benjamin Moore & Co. | Paint
Trevor McDole – Home Hardware Stores Ltd. | Other Products

Letter from the Chair of the Board

Dear Members and Industry Colleagues,

As we reflect on the past year, 2023 was a period of significant transformation for Product Care Recycling. The theme of a changing landscape resonates deeply, as we navigated numerous shifts within the organization and the broader regulatory environment. I am proud to share our progress and express my gratitude to those who have contributed to our success during this pivotal year.

Mid-way through 2023, we experienced a major transition in our leadership. After 21 years of dedicated service, Product Care's President, Mark Kurschner, stepped down from his role to begin his well-deserved transition to retirement. Mark's tenure was marked by unwavering commitment, and his contributions have been instrumental in shaping Product Care into the organization it is today. While he has stepped down from his former role as President, we are fortunate that Mark continues to lend his expertise as a legal consultant.

Stepping into the role of President and CEO is Brian Bastien, whose well-rounded background in business and experience in the recycling space have already proven invaluable. Brian joined Product Care in June 2023 and brings significant leadership experience and a fresh perspective to our organization. His vision for service and partnership is already evident, and we look forward to continued collaboration that will undoubtedly benefit the organization. On behalf of the board and membership, we are grateful to Mark and Brian for their dedication and leadership during this period of change.

In addition to our internal transitions, 2023 saw increases in regulatory demands across programs. From more stringent end-of-life management requirements to mandates for increased accessibility of our programs, the evolving regulatory landscape presented numerous challenges. These challenges were amplified by inflationary pressures that have been felt across all industries. However, we are well positioned to tackle these challenges head-on, thanks to the efforts of Product Care's passionate staff.

The Product Care team has shown remarkable resilience and adaptability, ensuring that members meet regulatory obligations. I would like to extend my sincere thanks to the Product Care board of volunteers and dedicated staff members. Their hard work and commitment are the bedrock of our success, and their efforts have yielded impressive results.

The testament to their hard work can be seen in the numbers. This year, Product Care managed to divert significant amounts of waste from our landfills and waterways, including more than 10 million litres of paint, 13 million light bulbs, and 100,000 alarms. These achievements underscore Product Care's commitment to environmental stewardship and critical role in creating a more sustainable future.

As we move forward, we remain optimistic and invested in the challenges and opportunities that lie ahead. The changing landscape will continue to shape our path, but with a strong foundation and a clear vision, we are confident in our ability to adapt and thrive. We look forward to another year of growth, innovation, and collaboration as we work together to advance our mission.

Thank you for your continued support and dedication to Product Care Recycling. Together, we will navigate this changing landscape and achieve even greater heights.

Sincerely,

Vincent Rea,
Board Chair

Letter from the CEO

Dear Members, Colleagues, and Stakeholders,

It is with great enthusiasm and optimism that I address you for the first time as the President and CEO of Product Care Recycling. As we close the chapter on 2023, I am filled with excitement about the opportunities that lie ahead in this dynamic and growing industry. The past year has been a testament to our team's resilience and dedication, and I am confident that we are well-positioned to tackle the exciting challenges that await us.

First and foremost, I want to extend my deepest gratitude to Mark Kurschner for his remarkable leadership as President and CEO over the past 21 years. Mark's dedication has built a solid foundation and established a strong reputation for Product Care Recycling. It is an honour to inherit such a strong legacy, and I am committed to building upon the incredible work that has been done. Thank you, Mark, for your unwavering commitment and for continuing to support us in your consulting role.

I also want to express my sincere thanks to our volunteer board and our dedicated staff. Our people are our greatest asset, and it is through their hard work and passion that we continue to achieve our mission. Every day at this organization, I am amazed by the commitment demonstrated by my colleagues and fellow stewards, who inspire my own deepened commitment to our mission and to the environment. The achievements of the past year, including the significant diversion of waste from landfills and waterways, are a direct result of these tireless efforts.

In 2023, we made strategic enhancements to our leadership team to ensure we are well-equipped to navigate the growth and opportunities ahead. I want to take a moment to thank Patrick Chauvet for his years of service and leadership. At the end of the year, Patrick retired and handed the torch over to Holly Lafontaine, who now leads our Ontario operations. Holly brings a wealth of experience and a fresh perspective, and we are excited about the vision she will bring to our growing Ontario team.

Additionally, we have bolstered our leadership team with several key appointments. We welcomed a new CIO/CFO, whose expertise will be instrumental in driving our financial and technological strategies forward. We also appointed a new Controller, and for the first time, we have introduced HR as an in-house role and member of our leadership team. These additions will help us navigate our growth and foster our culture of continuous improvement, ensuring that our team remains engaged, motivated, and equipped to meet the evolving demands of our industry.

Looking ahead, I am incredibly optimistic about the future of Product Care Recycling. The changing landscape presents numerous opportunities for innovation and growth. Our commitment to service and partnership will continue to guide us as we expand our programs, enhance our operations, and strengthen our relationships with stakeholders.

We are poised to tackle the exciting challenges that lie ahead, and I am confident that with our talented team, we will achieve even greater success. Together, we will continue to advance our mission, protect our environment, and create a sustainable future for generations to come.

Thank you for your dedication to our organization and our environmental commitment at Product Care Recycling. I look forward to working with all of you as we embark on this exciting journey together.

Sincerely,

Brian Bastien,
President and CEO

2023 Highlights

Overview

18 programs
9 provinces
4 product categories

615 members' environmental obligations fulfilled

Locations & Quantities Recycled

2,200+ recycling locations in Canada
609 one day collection events

Recycled in 2023:

10,303,089
litres of paint

13,655,884
light bulbs

112,124
alarms

Public Education & Promotion

105M+ impressions from digital marketing campaigns

115M+ impressions from television campaigns

Product Overview

Paint

Starting in 1994 with the BC paint recycling program, Product Care now operates paint recycling programs in eight provinces: British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. Paint products can be dropped off at more than 1,250 permanent recycling locations comprised of municipal facilities, private recycling centres, bottle depots, retail locations, and not-for-profit recycling organizations, depending on the province. Collection service is enhanced by hundreds of one-day collection events, as well as direct pick-up service for large volumes of leftover paint.

Product Care paint programs provide Canadians with a means to dispose of their leftover paint that is managed in an environmentally responsible manner. Once collected, paint is sorted by type, colour and quality. Better quality paint is offered to the public free of charge through the PaintShare program described below. Better quality latex paint is reprocessed for sale as recycled paint. Lower quality latex paint is used for energy recovery, as cement or concrete additive, or securely landfilled. Alkyd paint is reprocessed for sale as recycled paint or used in energy recovery. These practices ensure leftover paint is managed with the environment in mind, diverting it from Canada's landfills and waterways.

In 2023, Product Care diverted more than 10.3 million litres of paint from landfills, enough to paint 9,366 hockey ice rinks!

PaintShare

Product Care's PaintShare initiative launched in British Columbia over a decade ago. Paint collected by the program is made available, free of charge, at more than 200 recycling locations in eight provinces. It is used in homes and on buildings, by artists, theatre groups, anti-graffiti programs, and more.

Household Hazardous Waste / Hazardous and Special Products

Product Care began managing household hazardous waste (HHW/HSP) in British Columbia in 1998, and has since expanded into Saskatchewan, Manitoba, and Ontario. This category encompasses a broad range of products, including solvents and flammable liquids, gasoline, pesticides, toxics, corrosives and other physically hazardous products. The HHW/HSP products managed by Product Care vary depending on the province.

Product Care's HHW/HSP programs provide responsible management of these products at the end of their useful life, reducing the burden on our landfills and negative impacts to the environment. The methods to manage the collected products are provided in the individual program sections of this report. Depending on the province, collection systems for HHW/HSP include municipal facilities, bottle depots, private businesses, and recycling organizations. These products can be dropped off at more than 300 permanent recycling locations in participating provinces, as well as hundreds of one-day collection events.

Lights

Product Care began recycling light bulbs in British Columbia in 2010, and has since expanded into Manitoba, Ontario, Quebec, and Prince Edward Island. In 2012, the BC program further expanded to include all lamp technologies and fixtures. Some light technologies, such as fluorescent tubes and compact fluorescent lights, use a mercury phosphor technology. Product Care provides a network of more than 1,400 recycling locations in five provinces, including municipal, private, and retail sites. The programs also offer free pick-up service for large volumes of lights.

In 2023, Product Care diverted over 13.6 million light bulbs from landfills - more than 1 light bulb for every residence in British Columbia, Manitoba, Ontario, Quebec, and PEI, where Product Care operates light recycling programs.

	BC	MB	ON	QC	PEI
Fluorescent tubes	✓	✓	✓	✓	✓
Compact fluorescent lights (CFL) / screw-in induction lights	✓	✓	✓	✓	✓
High intensity discharge (HID)	✓		✓	✓	✓
Light emitting diodes (LED)	✓		✓		✓
Incandescent / halogen	✓		✓		✓
Miniature lights	✓		✓		✓
Lighting fixtures and products	✓				
Ballasts	✓				

Alarms

Since October 2011, Product Care has operated its BC alarm recycling program, which accepts smoke and carbon monoxide alarms.

Smoke alarms use either photovoltaic or ionization technology. The photoelectric sensor detects the change in light level caused by smoke. Ionization alarms use a small amount of radioactive material to detect smoke.

The radioactive element used in ionization smoke alarms is separated and managed by long-term storage. The remainder of the smoke or carbon monoxide alarm is processed to recover plastics and metals.

The program's collection network includes non-profit organizations, retailers, local government facilities, fire departments, bottle depots and private recycling businesses.

The success of the program is due in part to continued support from the local community, including fire safety organizations, electrical distributors, public institutions and municipal governments.

In 2023, the BC Alarms program diverted more than 112,000 smoke and CO alarms from BC's landfills - laid side-by-side the equivalent of approximately 26 CN towers!

PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2023

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

Contents

Rolfe Benson
— Chartered Professional Accountants —

INDEPENDENT AUDITORS' REPORT

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.

INDEPENDENT AUDITORS' REPORT - Continued

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.

INDEPENDENT AUDITORS' REPORT - Continued

- 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

	2023	2022
Assets		
Current		
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
Restricted cash (Note 3)	**2,012,131**	2,151,872
Forgivable loans (Note 4)	**373,375**	347,977
Term deposits (Note 5(b))	**1,500,000**	9,695,138
Investments - at market value	**26,402,161**	23,941,026
Tangible capital assets (Note 7)	**14,514,493**	14,970,974
Intangible assets (Note 8)	**50,000**	50,000
	$ 72,999,937	$ 74,076,623
Liability		
Current		
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
	$ 72,999,937	$ 74,076,623

APPROVED BY THE DIRECTORS:

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements

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
Net assets - beginning of year	$ 3,627,298	$ 15,020,974	$ 2,151,872	$ 46,615,250	**$ 67,415,394**	$ 70,921,256
Deficiency of revenues over expenses for the year	(2,093,466)	(720,452)	-	-	**(2,813,918)**	(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)	-	-	-
Net assets - end of year	**$ 11,207,548**	**$ 14,564,493**	**$ 2,012,131**	**$ 36,817,304**	**$ 64,601,476**	$ 67,415,394

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

	2023	2022 (Note 18)
Revenues (Note 17)	**$ 41,781,651**	$ 39,941,245
Expenses		
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
	48,136,389	42,752,219
Deficiency of revenues over expenses from operations	**(6,354,738)**	(2,810,974)
Other income (expense)		
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
	3,540,820	(694,888)
Deficiency of revenues over expenses for the year	**$ (2,813,918)**	$ (3,505,862)

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

	2023	2022
Cash provided by (used in):		
Operating activities		
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)
Investing activities		
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)
Financing activity		
Issuance of forgivable loans	**(98,050)**	(35,656)
Net decrease in cash and cash equivalents	**(2,832,776)**	(3,436,415)
Cash and cash equivalents - beginning of year	**7,803,169**	11,239,584
Cash and cash equivalents - end of year	**$ 4,970,393**	$ 7,803,169

The accompanying notes are an integral part of these financial statements

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.

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

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

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. EHFs 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 EHFs 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 EHFs associated with sold program products, the Association will recognize those EHFs 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.

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 EHFs 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:

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

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.

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.

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:

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

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**	**-**	-
	$ 19,216,937	**$ 4,702,444**	**$ 14,514,493**	$ 14,970,974

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
	$ 804,986	**$ 754,986**	**$ 50,000**	$ 50,000

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
	$ 8,398,461	$ 6,661,229

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	256,084
	$ 1,081,727

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 to 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:

	2023	2022
Quebec Recycfluo Program Reserve	**$ 2,012,131**	$ 1,386,372
Ontario Fee Reduction Reserve (Note 10(b))	**-**	765,500
	$ 2,012,131	$ 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.

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.

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.

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.

15. Controlled organization - Continued

PCA PSI

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

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

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

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

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

18. Comparative figures

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