

## **PRODUCT CARE ASSOCIATION**

### **Financial Statements**

For the Year Ended 31 December 2004

#### **Contents**

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Auditors' Report	
Statement of Financial Position	3
Statement of Operations and Changes in Members' Equity - Unrestricted	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 7



**ROLFE, BENSON**

**CHARTERED ACCOUNTANTS\***

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\*a partnership of incorporated professionals

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## AUDITORS' REPORT

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To the Members,  
Product Care Association

We have audited the statement of financial position of Product Care Association as at 31 December 2004 and the statements of operations and changes in members' equity-unrestricted and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS



Vancouver, Canada  
2 March 2005



**PRODUCT CARE ASSOCIATION**  
**Statement of Financial Position**  
31 December 2004

	2004	2003
<b>Assets</b>		
<b>Current</b>		
Cash and short-term investments	\$ 1,172,411	\$ 2,242,275
Accounts receivable	667,867	247,314
Prepaid expenses and deposits	73,898	79,311
	1,914,176	2,568,900
<b>Insurance Reserve</b> (market value - 2004 - \$5,519,963; 2003 - \$3,316,079) (Note 3)	6,022,496	3,741,568
<b>Capital assets</b> (Note 4)	93,585	208,662
	\$ 8,030,257	\$ 6,519,130
<b>Liabilities and Members' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 381,020	\$ 295,497
<b>Commitments</b> (Note 5)		
<b>Members' Equity</b>		
Insurance Reserve - restricted (Note 3)	6,022,496	3,741,568
Invested in capital assets	93,585	208,662
Unrestricted	1,533,156	2,273,403
	7,649,237	6,223,633
	\$ 8,030,257	\$ 6,519,130

APPROVED BY THE BOARD:

.....Director  
.....Director

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

**PRODUCT CARE ASSOCIATION**  
**Statement of Operations and Changes in Members' Equity - Unrestricted**  
**For the Year Ended 31 December 2004**

	2004	2003
<b>Revenues</b>		
Eco fees	\$ 5,850,152	\$ 5,649,592
Interest	57,881	53,473
	<b>5,908,033</b>	<b>5,703,065</b>
 <b>Operating expenditures</b>		
Collection, disposal, transportation and event advertising	4,115,056	4,100,227
 <b>Administrative expenditures</b>		
Association and depot start-up costs	59,387	33,370
Education and printed material	-	18,569
Office, rent and travel	122,823	129,428
Technical, professional, management and communication	266,091	313,158
	448,301	494,525
	<b>4,563,357</b>	<b>4,594,752</b>
 <b>Excess of revenues over expenditures</b>	<b>1,344,676</b>	<b>1,108,313</b>
 <b>Members' equity - beginning</b>	<b>2,273,403</b>	<b>2,072,215</b>
<b>Transfer to Insurance Reserve (Note 3)</b>	<b>(2,200,000)</b>	<b>(1,000,000)</b>
<b>Transfer from invested capital assets</b>	<b>115,077</b>	<b>92,875</b>
	<b>188,480</b>	<b>1,165,090</b>
 <b>Members' equity - end of year</b>	<b>\$ 1,533,156</b>	<b>\$ 2,273,403</b>

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

**PRODUCT CARE ASSOCIATION**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2004**

	2004	2003
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Excess of revenues over expenditures	\$ 1,344,676	\$ 1,108,313
Item not involving cash		
Amortization	120,138	131,114
Changes in non-cash working capital balances	(329,617)	(360,897)
	1,135,197	878,530
<b>Investing activities</b>		
Purchase of capital assets	(5,061)	(38,239)
Transfer to insurance reserve	(2,200,000)	(1,000,000)
	(2,205,061)	(1,038,239)
<b>Net increase (decrease) in cash</b>	<b>(1,069,864)</b>	<b>(159,709)</b>
<b>Cash - beginning of year</b>	<b>2,242,275</b>	<b>2,401,984</b>
<b>Cash - end of year</b>	<b>\$ 1,172,411</b>	<b>\$ 2,242,275</b>
<b>Represented by:</b>		
Cash	\$ 1,172,411	\$ 1,240,320
Money market fund	-	1,001,955
	<b>\$ 1,172,411</b>	<b>\$ 2,242,275</b>
<b>Supplemental Cash Flow Information:</b>		
Interest income	\$ 57,881	\$ 53,473
Interest paid	\$ 2,899	\$ 2,761

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

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**PRODUCT CARE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2004**

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**1. Incorporation of Product Care Association**

On 7 May 2001, Letters Patent were obtained for the creation of Product Care Association. The new entity is the result of the amalgamation of PPC Paint and Product Care Association with Product Care Association on 1 July 2001. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The Association was created to collect and dispose of paint, aerosols, solvents and pesticides in an environmentally safe manner as mandated by the Province of British Columbia.

**2. Summary of Significant Accounting Policies**

(a) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Machinery	5 years
Tubskids and cages	3 years
Trailers	3 years
Plant equipment	2 years
Leasehold improvements	5 years

(b) Revenue Recognition

Revenue from eco-fees is recognized at the time an eco-fee applicable product is sold by a member of the Association, and the eco-fee becomes due and payable.

(c) Financial Instruments

The Association's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

**PRODUCT CARE ASSOCIATION**  
**Notes to the Financial Statements**  
For the Year Ended 31 December 2004

**3. Insurance Reserve Fund**

The assets in this reserve consist of cash and investments in fixed income and equity securities and are independently managed. A corresponding amount has been restricted in members' equity on the statement of financial position. The purpose of the reserve is to respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program.

	2004	2003
Balance - beginning of year	\$ 3,741,568	\$ 2,699,564
Investment income	80,928	42,004
Transfer from operations	2,200,000	1,000,000
Balance - end of year	\$ 6,022,496	\$ 3,741,568

**4. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value	
			2004	2003
Depot equipment	\$ 756,717	\$ 747,251	\$ 9,466	\$ 16,391
Office equipment	44,431	41,900	2,531	10,158
Leasehold improvements	483,749	402,161	81,588	169,432
Storage depots	576,096	576,096	-	12,681
	\$ 1,860,993	\$ 1,767,408	\$ 93,585	\$ 208,662

**5. Commitments**

The Association entered into a 66 month lease on the Surrey office and building facility which expires on 31 January 2006. The annual lease payments are as follows:

2005	\$ 63,300
2006	5,275
	\$ 68,575

**6. Comparative Figures**

Certain of the prior year's administrative expenditures have been restated to conform to the current year's presentation.