

PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2010

PRODUCT CARE ASSOCIATION

Financial Statements

For the year ended 31 December 2010

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INDEPENDENT AUDITORS' REPORT

To the Members,
Product Care Association

Report on the Financial Statements

We have audited the accompanying financial statements of Product Care Association, which comprise the statement of financial position as at 31 December 2010, and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Product Care Association as at 31 December 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada
10 June 2011

PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2010

	2010	2009
Assets		
Current		
Cash and short-term investments	\$ 2,036,120	\$ 2,050,531
Accounts receivable	1,591,524	893,443
Prepaid expenses and deposits	66,737	64,113
	3,694,381	3,008,087
Reserve - at market (Note 3)	8,439,952	7,618,264
Capital assets (Note 4)	210,750	211,089
	\$ 12,345,083	\$ 10,837,440

Liability

Current		
Accounts payable and accrued liabilities	\$ 1,724,030	\$ 1,590,852

Commitments (Note 5)

Members' Equity

Reserve - restricted (Note 3)	8,439,952	7,618,264
Invested in capital assets	210,750	211,089
Unrestricted	1,970,351	1,417,235
	10,621,053	9,246,588
	\$ 12,345,083	\$ 10,837,440

APPROVED BY THE DIRECTORS:

"Dick Glassford" Director

"Dave Russell" Director

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

PRODUCT CARE ASSOCIATION
Statement of Changes in Net Assets
For the year ended 31 December 2010

	Unrestricted	Invested in Capital Assets	Internally Restricted Reserve	Total 2010	Total 2009
Net assets - beginning of year	\$ 1,417,235	\$ 211,089	\$ 7,618,264	\$ 9,246,588	\$ 8,799,618
Excess of revenues over expenses for the year	1,374,465	-	-	1,374,465	446,970
Transfer to reserve	(821,688)	-	821,688	-	-
Transfer to invested in capital assets, net	339	(339)	-	-	-
Net assets - end of year	\$ 1,970,351	\$ 210,750	\$ 8,439,952	\$ 10,621,053	\$ 9,246,588

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

PRODUCT CARE ASSOCIATION
Statement of Operations
For the year ended 31 December 2010

	<u>2010</u>	<u>2009</u>
Revenues	\$ 7,875,857	\$ 6,580,038
Operating expenses		
Collection, disposal, transportation and event advertising	<u>6,200,620</u>	<u>6,289,955</u>
Gross margin	<u>1,675,237</u>	<u>290,083</u>
Administrative expenses		
Technical, professional, management and communication	669,505	617,735
Association and depot start up costs	247,535	120,229
Office, rent and travel	<u>211,656</u>	<u>175,238</u>
	<u>1,128,696</u>	<u>913,202</u>
Excess (deficiency) of revenues over expenses from operations	<u>546,541</u>	<u>(623,119)</u>
Other income		
Investment income	196,645	197,215
Interest income	6,236	8,020
Gain on sale of investments	873	738
Unrealized gain on investments	<u>624,170</u>	<u>864,116</u>
	<u>827,924</u>	<u>1,070,089</u>
Excess of revenues over expenses for the year	<u>\$ 1,374,465</u>	<u>\$ 446,970</u>

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

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the year ended 31 December 2010

	2010	2009
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 1,374,465	\$ 446,970
Items not involving cash		
Market value adjustment to reserve	(624,170)	(864,116)
Amortization	105,979	48,911
	856,274	(368,235)
Changes in non-cash working capital balances	(567,528)	429,630
	288,746	61,395
Investing activities		
Transfer to reserve	(197,517)	(197,954)
Purchase of capital assets	(105,640)	(238,942)
	(303,157)	(436,896)
Financing activity		
Receipt of deferred revenue	-	(208,890)
	(14,411)	(584,391)
Net increase (decrease) in cash and short-term investments		
Cash - beginning of year	2,050,531	2,634,922
Cash - end of year	\$ 2,036,120	\$ 2,050,531
Cash consists of:		
Cash and short-term investments	\$ 1,019,396	\$ 635,719
Money market fund	-	899,568
Term deposit	1,016,724	515,244
	\$ 2,036,120	\$ 2,050,531
Supplemental Cash Flow Information:		
Interest received	\$ 6,236	\$ 9,786

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

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2010

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, pesticides, gas and other household waste in an environmentally safe manner as mandated by various provinces.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Capital assets

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 capital assets over their estimated useful lives. The annual amortization rates are as follows:

Leasehold improvements	5 years
Storage Depots	5 years
Office Equipment	2 years
Depot Equipment	3 and 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.

Investment income includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations. Unrestricted investment income is recognized as revenue when earned.

(c) Investments

The Association has elected to classify all of its investments as held-for-trading, and accordingly they are recorded at fair value. Changes in fair values during the year are included in revenue or expenditures on the statement of operations.

Quoted market prices were used to determine the fair value of the investments as at the year end date.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2010

2. Summary of significant accounting policies - Continued

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Future accounting changes

Changes in accounting framework

The Association is classified as a not-for-profit organization. The Association will be required to adopt a new accounting framework and the options are Canadian Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards (IFRS), effective for fiscal years beginning on or after 1 January 2012. The Association is in the process of reviewing the potential impact of these two accounting standards on its reporting framework and financial statements.

3. Reserve

The reserve fund was established to (1) respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program and (2) to fund the ongoing operations and various other projects of the Association from time to time. The amount is internally restricted and expenditures from the reserve are at the discretion of the board of directors. Transfers to the reserve fund are made upon resolutions passed by the Board of Directors. During the year there were no transfers to the reserve fund.

The assets in the reserve fund consist of cash and investments in fixed income and equity securities and are independently managed. All income earned on these investments are initially reported in the unrestricted fund and then transferred to the reserve fund. During the year \$821,688 (2009 - (\$1,062,070)) was transferred from the unrestricted fund to the reserve fund, which included an unrealized gain of \$624,170 at 31 December 2010 and realized investment income of \$197,518.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2010

4. Capital assets

	Cost	Accumulated Amortization	2010 Net	2009 Net
Depot equipment	\$ 861,202	\$ 666,936	\$ 194,266	\$ 199,912
Office equipment	78,259	61,775	16,484	11,177
Leasehold improvements	483,749	483,749	-	-
Storage depots	576,096	576,096	-	-
	<u>\$ 1,999,306</u>	<u>\$ 1,788,556</u>	<u>\$ 210,750</u>	<u>\$ 211,089</u>

5. Commitments

During the year, the Association renewed its lease agreement for a further 60 month lease term on the Surrey office and building facility which expires on 31 January 2016. The lease includes a clause that the Association can terminate the lease with six months notice.

The annual lease payments are as follows:

2011	\$ 96,476
2012	128,571
2013	128,571
2014	128,571
2015	128,571
Thereafter	<u>10,714</u>
	<u>\$ 621,474</u>

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$58,323 which will be incurred during 2011.

6. Management of capital

The Association considers its capital to be its net assets invested in capital assets and its unrestricted and restricted net assets. The Association manages its capital primarily through its investments and adheres to the guidelines of the Association's investment policies. There have been no changes to these guidelines during the year. In addition, the Association's capital is restricted for the purposes as described in Note 3.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the year ended 31 December 2010

7. Financial instruments

The Association has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments – Presentation" which would otherwise have applied to the financial statements. The Association applies the requirements of Section 3861 of the CICA Handbook.

The Association's financial instruments consist of cash and short-term investments, accounts receivable, reserve and accounts payable and accrued liabilities.

(a) Fair value

Cash and short-term investments are classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other liabilities and are measured at their carrying amounts since it is comparable to their fair value due to the approaching maturity of these financial instruments.

The reserve is classified as held-for-trading financial assets. They are measured at fair value, determined on the basis of market value.

(b) Credit risk

The Association's financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. Cash is in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

8. New Brunswick Paint Recycling Program

The New Brunswick Paint Recycling Program was developed by Product Care Association on behalf of the paint industry in response to the New Brunswick "Designated Materials Regulation". The program has been approved by the government agency, Recycle New Brunswick, for a three year period commencing 1 April 2009. The Association operates the New Brunswick Paint Recycling Program on behalf of the paint industry "brand owners" who are the manufacturers and retailers of household paint in New Brunswick.

2010 Results:

The Association collects the eco fees from the NB members and subsequently pays the depots and processors for collection and disposal of paint. In 2010, eco fee revenue relating to the NB program was \$1,038,929 (2009 - \$808,732) and expenses relating to collection, processing, and administration for the NB program were \$743,231 (2009 - \$836,288).

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
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9. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2010 financial statements.