

2017

Annual Report



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Board of Directors

Chair:

Darrin Noble – Home Hardware | Paint

Vice Chair:

Tim Vogel – Cloverdale Paint | Other Products

Corporate Secretary:

Heather Barker – RB Canada | Other Products
Term ended January 24, 2018

Corporate Secretary:

Jules Foisy Lapointe – Lowe's Canada | Retail
Appointed Corporate Secretary March 6, 2018

Andre Quenneville – Recochem | Other Products
Term ended June 28, 2017

Karen Stephenson – Scotts Canada | Other Products
Elected June 28, 2017

Richard Tremblay – Benjamin Moore & Co | Paint

Claude Brosseau – PPG Inc | Paint

Sheryl Wood – The Sherwin-Williams Company | Paint
Term ended October 28, 2017

Jason Bernard – The Sherwin-Williams Company | Paint
Appointed March 6, 2018

Wayne Edwards – Electro-Federation | Lighting and Alarms

Marjorie Sammut – Standard Products | Lighting and Alarms
Term ended June 28, 2017

Dejan Lenasi – Philips Lighting | Lighting and Alarms
Elected June 28, 2017

Jeffrey Cattanaach – The Home Depot | Retail

Vision

Our vision is to establish Product Care as a leader in the development and management of innovative product stewardship solutions.

Mission

Our mission is to provide product stewardship solutions that advance the efficiency and effectiveness of program delivery for our members, while caring for the environment, our consumers and our employees.

Letter From the Chair



Few would argue that there is increasing complexity for those operating within Canada's product stewardship landscape. The expectations from regulators and supply chain stakeholders keep growing, resulting in increasing costs and greater effort to manage post-consumer products. Having recently renewed our strategic plan, there is re-affirmed confidence that Product Care has the competencies and the team to provide our stewards, stakeholders and all members of our recycling community with innovative, efficient and sustainable programs that adhere to the core principles we have established.

We are committed to ensuring member satisfaction and as a steward-driven organization we will maintain a laser focus on maximizing recovery rates while ensuring best-in-class cost efficiency, raising consumer awareness and improving recycling behaviour. We will carry on investing in research and development to continually improve our ability to manage products, all the while striving to harmonize and simplify compliance for our members.

We all have a role to play in product stewardship and we can't expect it to get any simpler any time soon. There is likely to be increasing focus on targets and key performance indicators by our regulators, growth in the scope of regulated products, expectations for year-over-year improvements and ever-present oversight costs. Product Care will continue to work closely with all stakeholders and in our members' interests to do the right thing for our planet, our communities and our businesses. Through sound governance, a strong member voice and by providing clear value, Product Care is committed to being the leader in special waste product stewardship.

Regards,

A handwritten signature in black ink, appearing to read 'Darrin Noble'.

Darrin Noble,
Chair

Letter From the President



Following more than a decade of launching one or more programs each year, 2017 was a year of relative stability with a focus on the continuous improvement of the quality of our programs for consumers, members and stakeholders.

This year marked a number of milestones for PCA. In our paint recycling programs, spanning eight provinces, more than 10.5 million litres of paint were diverted from Canada's landfills and waterways in 2017. Our average paint program awareness was 60%, up from 52% the last time we surveyed in 2015. We also achieved a milestone in our lighting programs, which collectively surpassed 40 million lamps recycled since the first lighting products program launched in BC in 2010.

A key initiative for PCA is to augment its collection networks by the addition of "return to retail" sites. PCA achieved a net increase of 98 return to retail sites in 2017 just in the Ontario paint program. Return to retail sites are a "win-win-win", reducing program operating costs, increasing accessibility for consumers, and raising profile for the participating member.

Every PCA member interacts with PCA through the PCA member registration/fee reporting portal, on a monthly basis for most. In 2017 PCA's finance/IT department developed a brand new member registration/reporting system, providing better functionality, accuracy and reliability for both PCA and its members, including automatic data integration between the member portal, the database and the accounting system. The new system launched in early 2018 with positive feedback.

The regulatory transition for product stewardship programs in Ontario continues. Transition timelines for tires, e-waste and most recently MHSW (municipal hazardous and special waste) have now been issued. In

the case of the products managed by PCA in Ontario, the transition of program operations to PCA has been completed –the final stage will involve winding up the industry funding organization. At that time the new regulatory model of "individual producer responsibility" will begin, however, PCA will continue to operate the programs on behalf of its members as a PRO (producer responsibility organization). PCA will keep its members informed throughout the transition process.

As anticipated, PCA's lighting programs are moving rapidly into the next phase of the program lifecycle, with an accelerating technology shift from mercury containing lamps to LEDs. This particularly impacts our programs which are limited to mercury containing lamps. In all cases PCA has established reserves in order to weather the transition of declining revenues and increasing return rates.

As well as operational and administrative improvements, an important priority for PCA is to improve information flow for both consumers and members. PCA plans to streamline its branding, and then rebuild and update its website. PCA remains committed to continuing to fulfil our mission to provide product stewardship solutions that advance the efficiency and effectiveness of program delivery for our members, while caring for the environment, our consumers and our employees. We thank the stakeholders who support this mission and make it possible to deliver on our promise for environmental responsibility.

Regards,

A handwritten signature in black ink that reads "Mark Kurschner". The script is cursive and fluid.

Mark Kurschner,
President

2017 Highlights

Overview:

13

programs

9

provinces

4

product groups



Received 'Cornerstone Award' from Product Stewardship Institute for running effective product stewardship programs

Member Support:



700+

members' environmental obligations fulfilled



Improved member reporting system in 2017

Accessibility:



2,000+

collection sites across Canada



450+

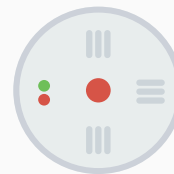
one-day collection events

Collection Metrics:



~11M

lightbulbs recycled



104k

smoke alarms recycled



10.5M

litres of paint recycled

Consumer Awareness:



66M+

media impressions across Canada



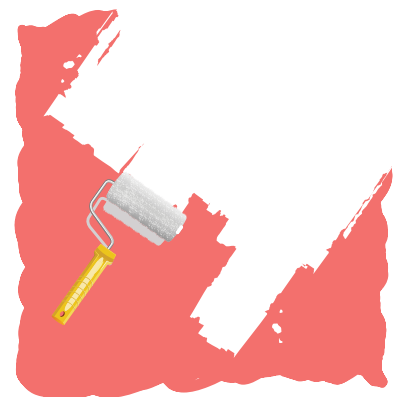
104

Canadian media channels



8%

higher awareness of paint stewardship programs amongst consumers than 2015





Paint

Product Overview

Product Care began its paint recycling program in British Columbia in 1994, and has since expanded to include seven more provinces: Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. PCA paint programs provide Canadians with a means to dispose of their leftover paint, and be sure it is managed in an environmentally responsible manner.

Paint products can be dropped off at 1,000 permanent collection sites in eight provinces. Depending on the province, the collection system can include municipal facilities, private recycling centres, bottle depots, retail locations, and not-for-profit recycling organizations. Collection is supplemented by hundreds of one-day collection events, as well as direct pickup service for large

volume generators of leftover paint. Once collected, paint is sorted by type, colour and quality. Better quality latex paint is offered to the public free of charge through the PaintReuse program, or processed for resale as recycled paint. Lower quality latex paint is used for energy recovery, as a concrete additive, or securely landfilled. Alkyd paint is used for energy recovery or processed for resale as recycled paint. These practices ensure end-of-life paint is managed with the environment in mind, diverting paint from Canada's landfills and waterways.

In 2017, Product Care recovered more than 10.5 million litres of paint, equivalent to four seconds of waterflow over Niagara Falls.



Household Hazardous Waste

Product Care began managing household hazardous waste (HHW) in British Columbia in 1998, and has since expanded into Manitoba and Ontario. The category of HHW encompasses a broad range of products, including solvents and flammable liquids, gasoline, pesticides, fertilizers, toxics, corrosives and other physically hazardous products. The HHW products managed in PCA's programs vary by province. For a list of accepted products in each province, see the individual program sections of this report.

Product Care's HHW 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 include municipal facilities, bottle depots, private businesses, and recycling organizations. HHW products can be dropped off at more than 200 permanent collection sites in participating provinces, as well as hundreds of one-day collection events.

Alarms



Started in October 2011, PCA's British Columbia alarm recycling program accepts residential-use 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 the radiation from a small amount of radioactive material to detect smoke. The radioactive element used in the smoke detector is separated before the remainder of the alarm is recycled, and the radioactive element is managed by long term storage. The remainder of the smoke or carbon monoxide alarms are processed to recover plastics and metals. The Program's growing collection network includes non-profit organizations,

retailers, local government facilities, fire departments, bottle depots and private recycling businesses. In addition, the participation of facilities that collect large volumes of used alarms, such as fire safety organizations, electrical distributors, public institutions and local governments, has contributed to the Program exceeding the targeted quantities of collected alarms.

In 2017, the program diverted more than 120,000 alarms from British Columbia's landfills. Stacked on top of one another, this many alarms would reach around 25,000 feet – the starting cruising altitude for commercial airlines.

Lights



Product Care began stewarding lamps in British Columbia in 2010, and has since expanded into Manitoba, Quebec and Prince Edward Island. In 2012, the BC program further expanded to include all lamp technologies and fixtures. The chart below details the types of lamps and lighting equipment managed in each PCA lighting products program.

Fluorescent tubes and compact fluorescent lights use a mercury phosphor technology. Product Care provides responsible management options

for mercury and the other materials used in the manufacturing of lights. In addition to offering a network of more than 1,300 permanent collection sites in the four provinces – including municipal collection sites, private collection sites and retail drop off locations – the programs also offer free pick-up service for large volume generators.

In 2017, PCA diverted approximately 11 million lamps from landfills – enough to outfit nearly half a million homes.

Lighting products included per province:

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

British Columbia

Paint & HHW

Accepted Products:



- > Architectural paints and coatings
- > Paint aerosols (consumer, industrial and automotive)
- > Domestic pesticides
- > Flammable liquids
- > Gasoline

Collection:



222

Collection Sites

3,313,180 L

Paint

156,537 L

Flammable Liquids

22,725 L

Pesticides

Recovery Rate:



10.5%

Paint

5.2%

Flammable Liquids

18.1%

Pesticides

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year. Gasoline sales volumes are excluded from the calculation.

Public Awareness:



60%

Paint 2017

49%

HHW 2017

Paint Reuse:

2.3%

The PaintReuse program makes reusable leftover paint returned by consumers available to the public free of charge. The percentage of paint reused represents the percentage of all paint collected. The "product management" statistic on the following page represents paint processed that was not managed through the PaintReuse program.

Finances:

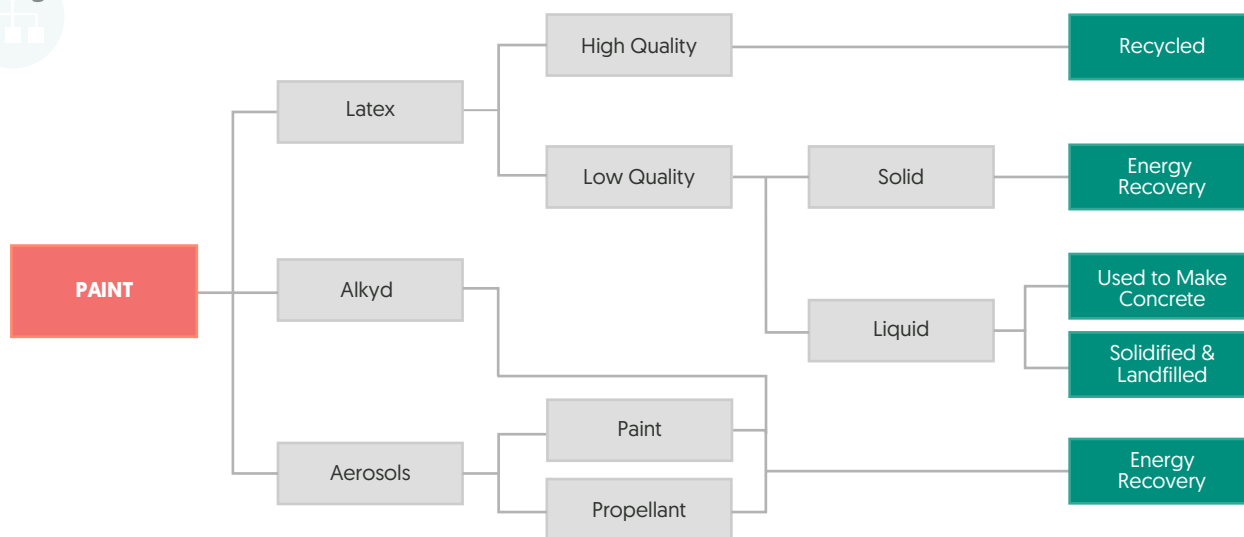
	2017
Revenues	\$ 7,582,861
Program Expenses	
Processing	4,182,011
Collection	1,630,331
Transport	1,107,751
Administration	1,118,546
Communication	129,921
Total Program Expenses	\$ 8,168,560
Deficiency of Revenues over Expenses for the Year	\$ (585,699)

Product Management:

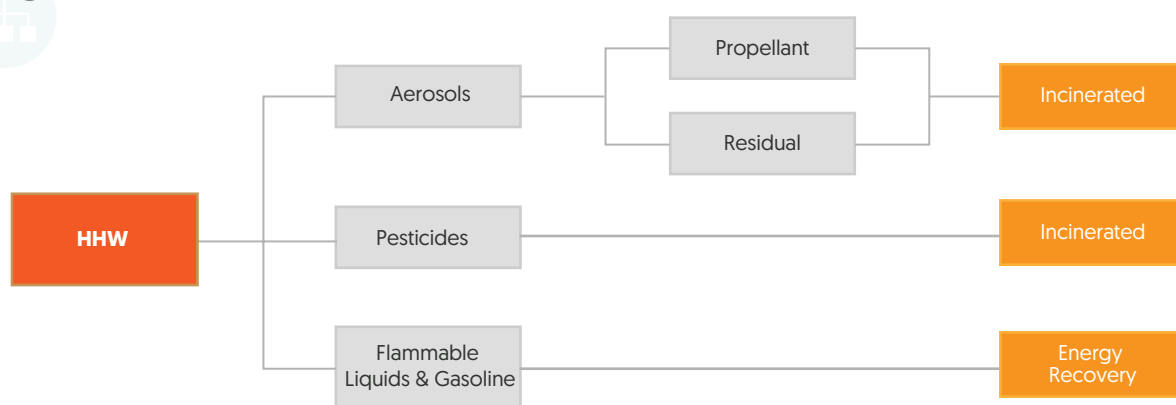
	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	75.5%	18.3%	0%	6.2%
Alkyd Paint	-	100%	-	-
Flammable Liquids & Gasoline	-	100%	-	-
Pesticides	-	-	100%	-



Paint Residual Product Management Flowchart:



HHW Residual Product Management Flowchart:



British Columbia Lights

Accepted Products (All Sectors):

- > Fluorescent, induction and UV tubes of all lengths and shapes
- > Compact fluorescent lamps (CFLs)
- > Light emitting diodes (LEDs)
- > Incandescent lamps
- > High intensity discharge lamps (HIDs)
- > Halogen lamps
- > Miniature lamps
- > Fixtures and ballasts

Collection:



545

Collection Sites

~7,000,000

Whole Lamps

~20,000

Tonnes PCB Ballasts

~630

Tonnes Residential Fixtures

Capture Rate:



94%

Fluorescent Tubes

115%

Compact Fluorescent Lamps

Capture rate is the estimated quantity of product collected as a percentage of the quantity of product available to collect in the same year.

Public Awareness:



55%

2017

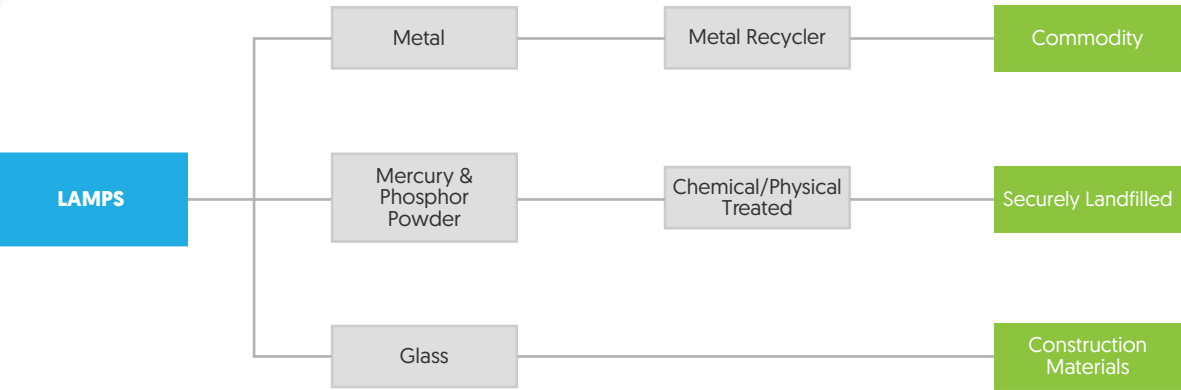
Finances:

2017

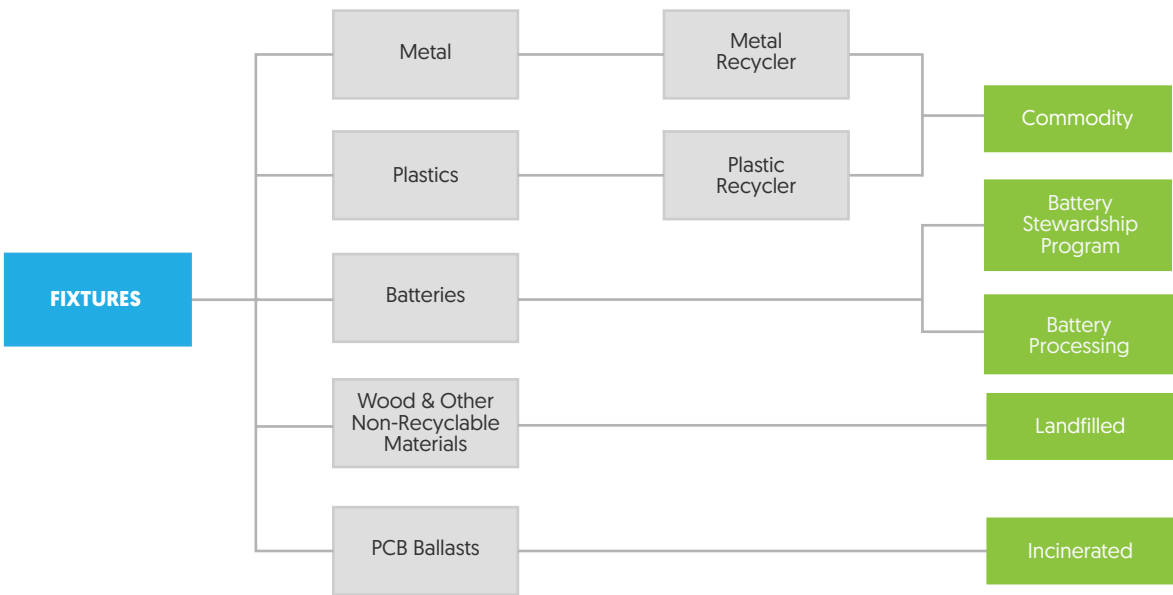
Revenues	\$ 5,494,612
Program Expenses	
Processing	2,984,581
Collection	728,195
Transport	295,697
Administration	496,002
Communication	218,435
Total Program Expenses	\$ 4,722,910
Excess of Revenues over Expenses for the Year	\$ 771,702



Lamps Product Management Flowchart:



Fixtures Product Management Flowchart:



British Columbia

Alarms

Accepted Products:



- > Smoke alarms designed for residential-use as defined by the CAN/ULC-S531 standard
- > Carbon monoxide [CO] alarms designed for residential use, as defined by the CAN/CSA 6.19 standard

Collection:



197

Collection Sites

104,339

Units

Public Awareness:



62%

2016

Product Management:



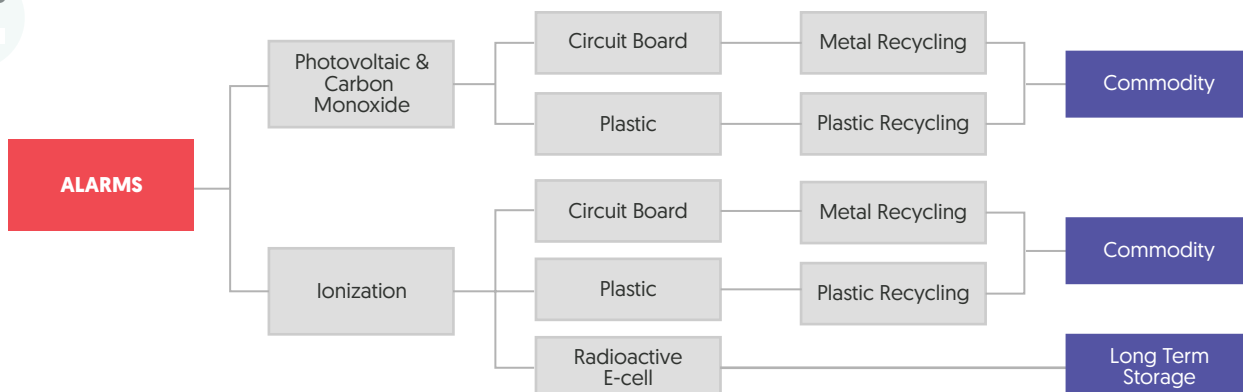
Sub Component	Recycled	Long Term Storage
Radioactive Cells	-	100%
Plastic	100%	-
Metal	100%	-

Finances:

2017

Revenues	\$ 699,275
Program Expenses	
Processing	292,988
Collection	84,756
Transport	32,893
Administration	42,587
Communication	52,741
Total Program Expenses	\$ 505,965
Excess of Revenues over Expenses for the Year	\$ 193,310

Alarm Product Management Flowchart:



Saskatchewan Paint

Accepted Products:

- > Latex (water-based), oil (alkyd) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted

Collection:



72

Collection Sites

409,901 L

Paint

Public Awareness:



88%

2016

Recovery Rate:



6.7%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Product Management:



21.8%

Reused

44.5%

Recycled

23.5%

Energy Recovery

0.2%

Incinerated

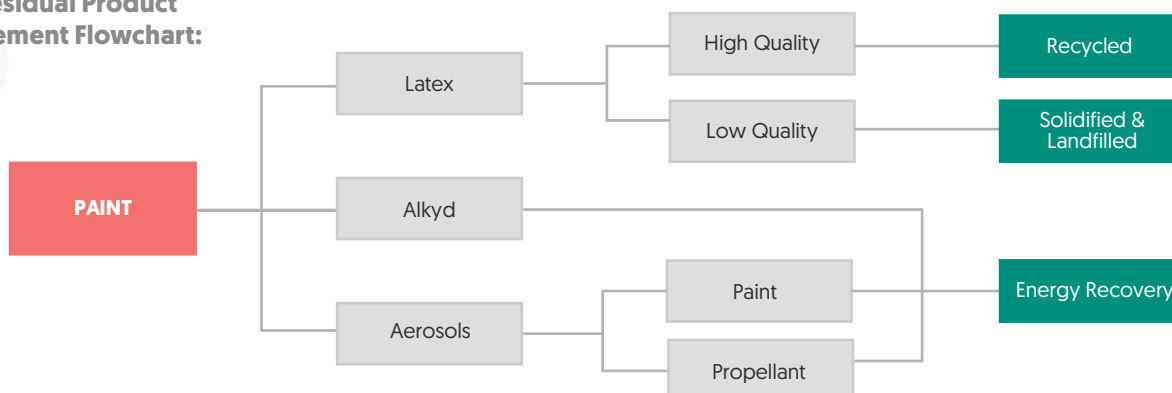
10.0%

Solidified & Landfilled

Finances:

	2017
Revenues	\$ 933,305
Program Expenses	
Processing	541,670
Collection	229,312
Transport	4,377
Administration	72,600
Communication	69,856
Total Program Expenses	\$ 917,815
Excess of Revenues over Expenses for the Year	\$ 15,490

Paint Residual Product Management Flowchart:



Manitoba

Paint, HHW & Lights

Accepted Products:



- > Architectural paints and coatings
- > Paint aerosols (consumer, industrial and automotive)
- > Corrosives
- > Toxics
- > Physically hazardous materials
- > Domestic pesticides
- > Fluorescent and compact fluorescent lights (residential only)

Collection:



92

Collection Sites

322,060 L

Paint

6,783

Aerosol Paint

8,988 L

Toxics Including Pesticides

12,959 L

Corrosives

29,358 L

Flammable Liquids/Gasoline

12,960

Units of Physically Hazardous Products

~153,000

Units of Lights

Recovery Rate:



5.1%

Paint

6.1%

Aerosol Paint

4.4%

Flammable Liquids & Gasoline

5.6%

Toxics

7.0%

Corrosives

7.1%

Physically Hazardous Products

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year. Gasoline sales volumes are excluded from the calculation.

Public Awareness:



51%

Paint 2017

48%

HHW 2017

Paint Product Management:



	Reused	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	-	77.5%	-	-	22.5%
Alkyd Paint	-	-	100%	-	-

HHW Product Management:



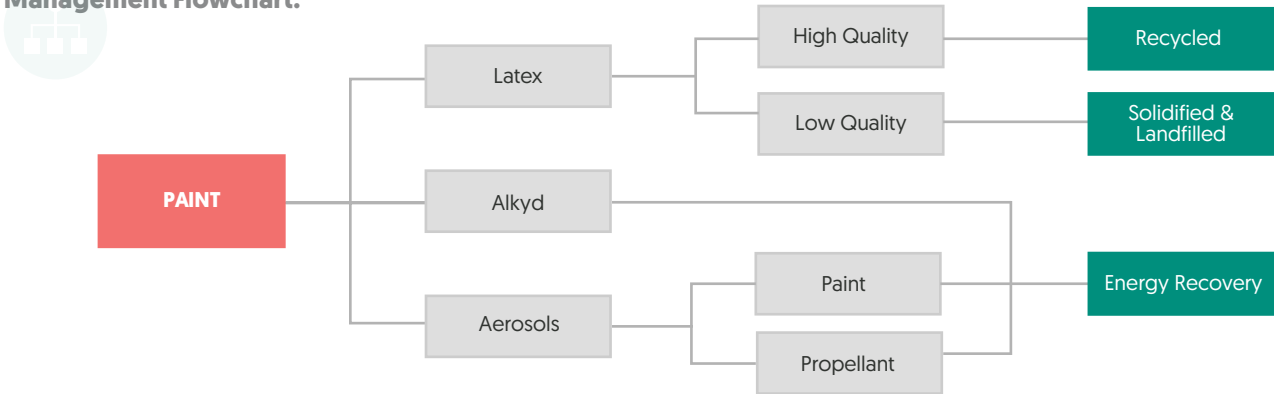
	Energy Recovery	Incinerated	Solidified & Landfilled
Flammables	100%	-	-
Corrosives	-	-	100%
Toxics	100%	-	-
Pesticides	-	100%	-
Physically Hazardous	100%	-	-

Finances:

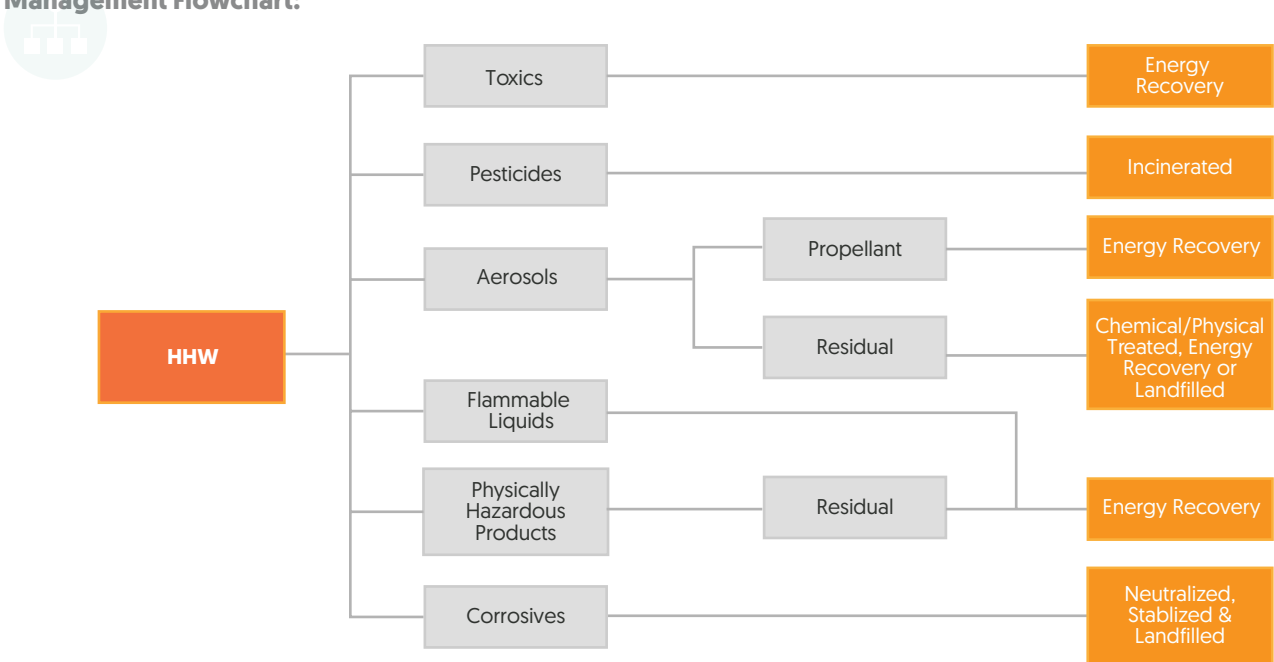
	2017
Revenues	\$ 1,833,931
Program Expenses	
Processing	593,164
Collection	327,937
Transport	319,745
Administration	249,198
Communication	73,507
Regulatory	15,776
Total Program Expenses	\$ 1,579,327
Excess of Revenues over Expenses for the Year	\$ 254,604



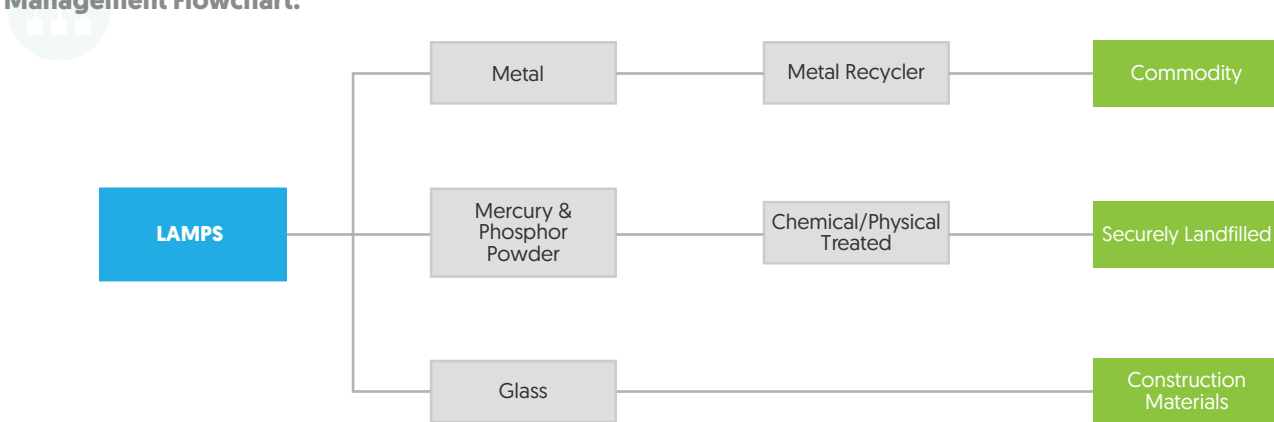
Paint Residual Product Management Flowchart:



HHW Residual Product Management Flowchart:



Lamps Product Management Flowchart:



Ontario Paint

Accepted Products:



- > Architectural paints and coatings, tar and bitumen coatings
- > Paint aerosols (including automotive, craft and industrial)

Collection:



392

Permanent Sites

307

Collection Events

9,611

Tonnes Paint

Recovery Rate:



10.2%

In Ontario, recovery rate is the weight of product collected as a percentage of the weight of product sold into market, including paint and containers.

Public Awareness:



55%

2017

Product Management:



	Recycled	Energy Recovery	Solidified & Landfilled
Latex Paint	73%	15%	12%
Alkyd Paint	81%	16%	3%
Aerosols	28%	72%	-

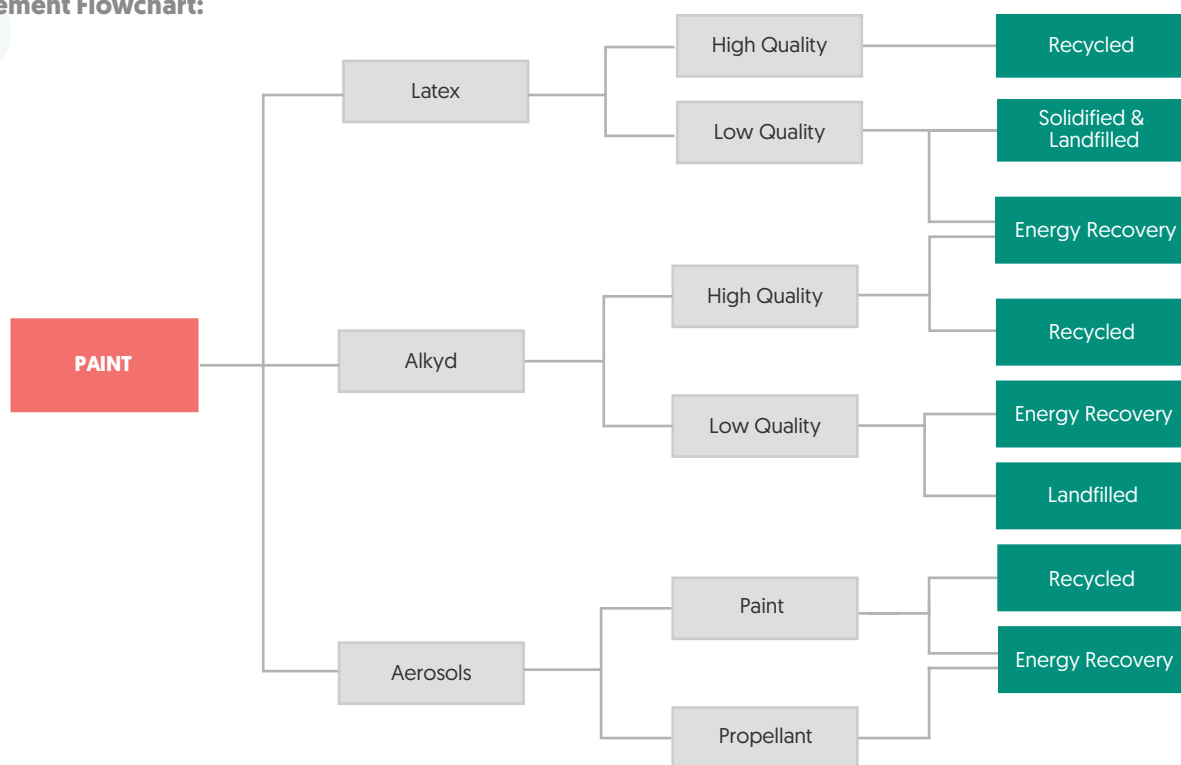
Finances:

	2017
Revenues	\$ 18,476,805
Program Expenses	
Processing	6,014,400
Collection*	6,018,580
Transport	1,781,817
Administration	1,554,764
Communication	96,374
Regulatory	228,982
Total Program Expenses	\$ 15,694,917
Excess of Revenues over Expenses for the Year	\$ 2,781,888

Financials are inclusive of paint and coatings, pesticides, solvents and fertilizers

*Collection includes municipal events

Paint Residual Product Management Flowchart:



Ontario

Pesticides, Solvents & Fertilizers (PSF)

Accepted Products:



- > Pesticides – Domestic pesticides
- > Solvents – Liquids intended to dissolve or thin a compatible substance and:
 1. Are comprised of 10% or more of water – immiscible liquid hydrocarbons, including halogen-substituted liquid hydrocarbons; or
 2. Are flammable as described in part (c) of “municipal hazardous waste” in Ontario Reg. 542; or
 3. All of the above.
- > Fertilizers – Packaged products regulated under the Fertilizers Act (Canada)

Collection:



95

Permanent Sites

307

Collection Events

251

Tonnes Solvents

21

Tonnes Fertilizers

30

Tonnes Pesticides

Recovery Rate:



6.3%

Recovery rate is the total quantity of products collected as a percentage of the quantity sold into the market in the same year.

Public Awareness:

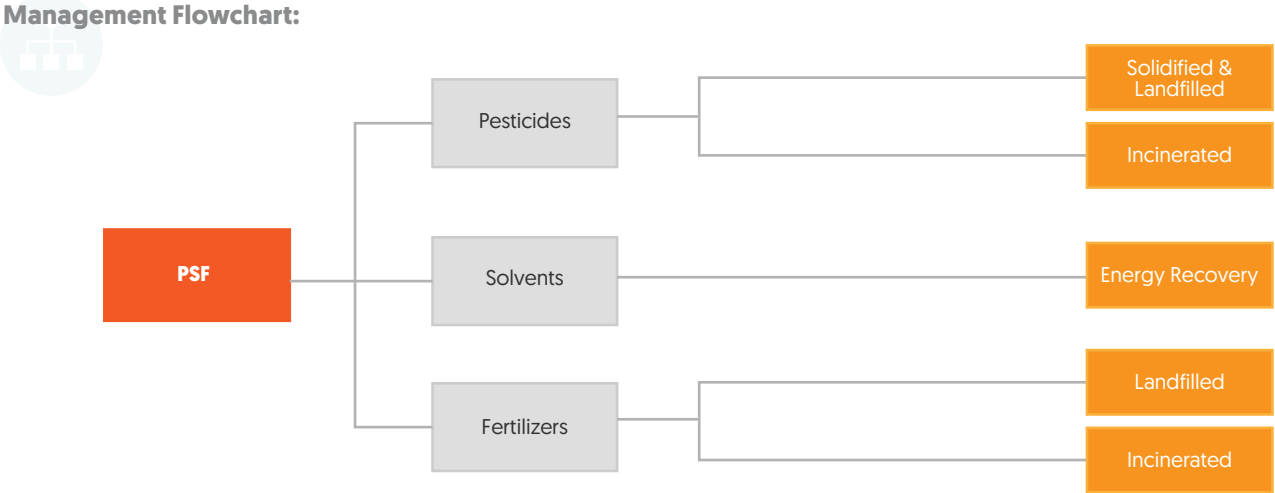


52%


2017



PSF Residual Product Management Flowchart:



PSF Residual Product Management:



	Recycled	Energy Recovery	Solidified & Landfilled	Incinerated
Pesticides	-	-	12%	88%
Solvents	1%	99%	-	-
Fertilizers	-	-	36%	64%



Quebec RecycFluo

Accepted Products (All Sectors):

- > All mercury containing lamps
- > Fluorescent, induction and UV tubes of all lengths and shapes
- > Compact fluorescent lamps (CFLs)
- > High intensity discharge lamps (HIDs) and other

Collection:

833

Collection Sites

~4,010,000

Units

Public Awareness:

51%

2015

Recovery Rate:

41%

Fluorescent Tubes

30%

HIDs

9%

CFLs

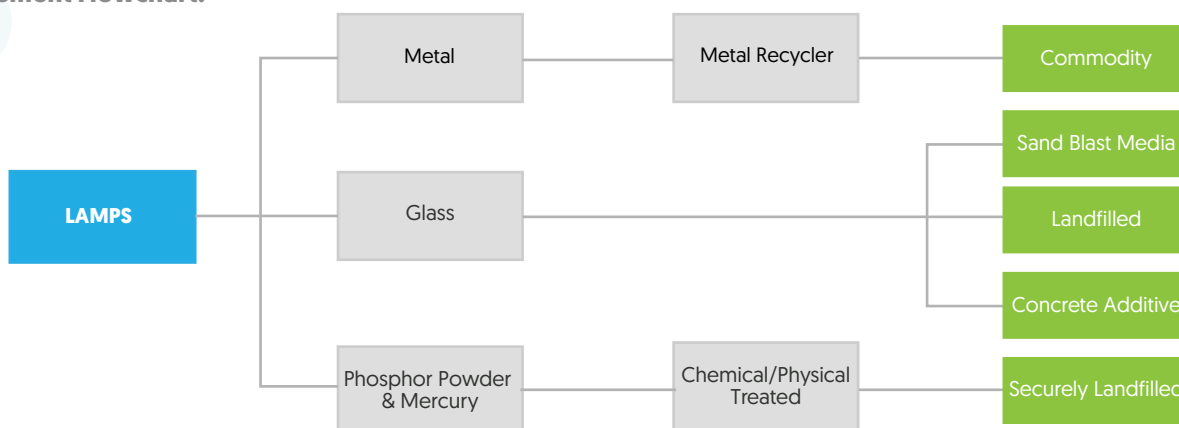
For Quebec, recovery rate is the quantity of product collected in the current year compared to the quantity of product sold in the province during the applicable reference year. In 2017, the reference year used was 2014.

Finances:

2017

Revenues	\$ 4,711,844
Program Expenses	
Processing	1,517,379
Collection	328,580
Transport	721,020
Administration	656,306
Communication	371,019
Regulatory	575,412
Total Program Expenses	\$ 4,169,716
Excess of Revenues over Expenses for the Year	\$ 542,128

Lamps Product Management Flowchart:



New Brunswick Paint

Accepted Products:

- > Architectural paints and coatings
- > Paint aerosols [consumer, industrial and automotive]

Collection:

60

Collection Sites

334,728 L

Paint

Public Awareness:

66%

2017

Recovery Rate:

7.0%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Product Management:

0.3%

Reused

72.3%

Recycled

8.9%

Energy Recovery

18.5%

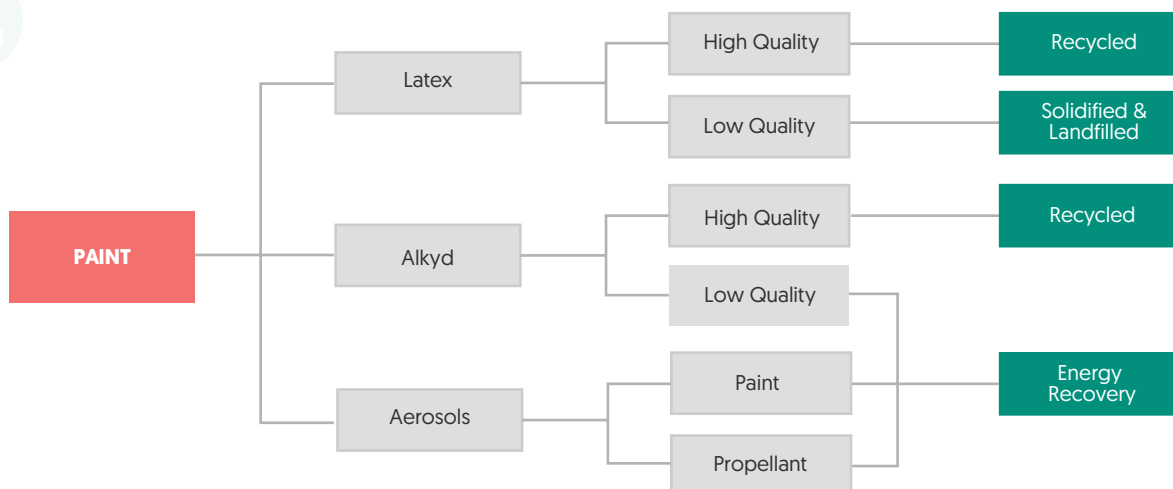
Solidified & Landfilled

Finances:

2017

Revenues	\$ 982,639
Program Expenses	
Processing	609,942
Collection	103,026
Transport	171,588
Administration	91,847
Communication	42,070
Regulatory	80,000
Total Program Expenses	\$ 1,098,473
Deficiency of Revenues over Expenses for the Year	\$ (115,834)

Paint Residual Product Management Flowchart:



Prince Edward Island Paint

Accepted Products:

- > Architectural paints and coatings
- > Paint aerosols [consumer, industrial and automotive]

Collection:

6

Collection Sites

105,523 L

Paint

Public Awareness:

47%

2015

Recovery Rate:

10.5%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Finances:

2017

Revenues	\$ 420,161
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Program Expenses

Processing	194,442
Collection	30,317
Transport	66,025
Administration	29,077
Communication	10,042

Total Program Expenses	\$ 329,903
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Excess of Revenues over Expenses for the Year	\$ 90,258
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Product Management:

1.3%

Reused

66.4%

Recycled

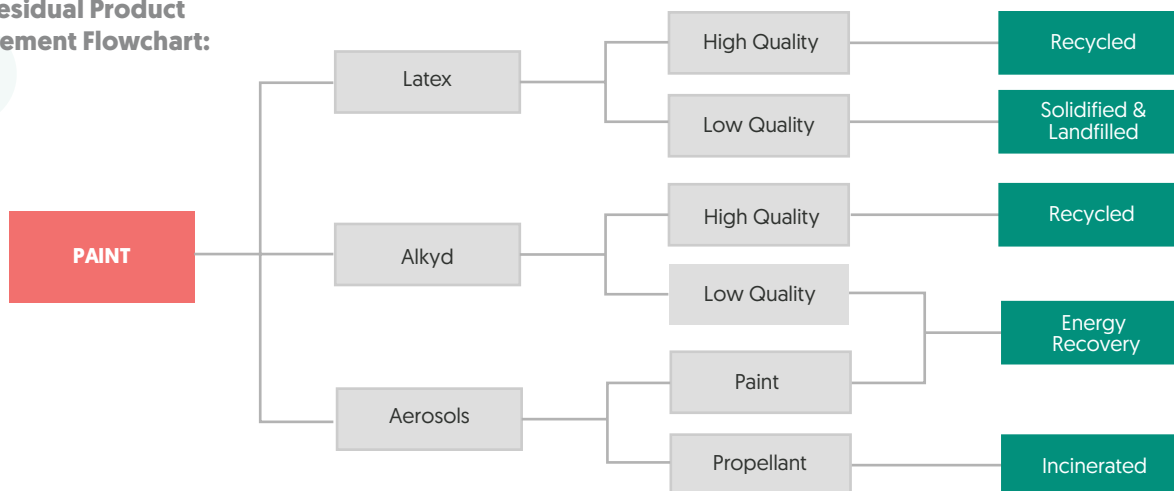
22.4%

Energy Recovery

9.9%

Solidified & Landfilled

Paint Residual Product Management Flowchart:



Prince Edward Island Lights

Accepted Products (All Sectors):

- > Fluorescent, induction and UV tubes of all lengths and shapes
- > Compact fluorescent lamps (CFLs)
- > Light emitting diodes (LEDs)
- > Incandescent lamps
- > High intensity discharge lamps (HIDs)
- > Halogen lamps
- > Miniature lamps

Collection:



7

Collection Sites

~102,000

Units

Public Awareness:



32%

2015

Recovery Rate:



8.0%

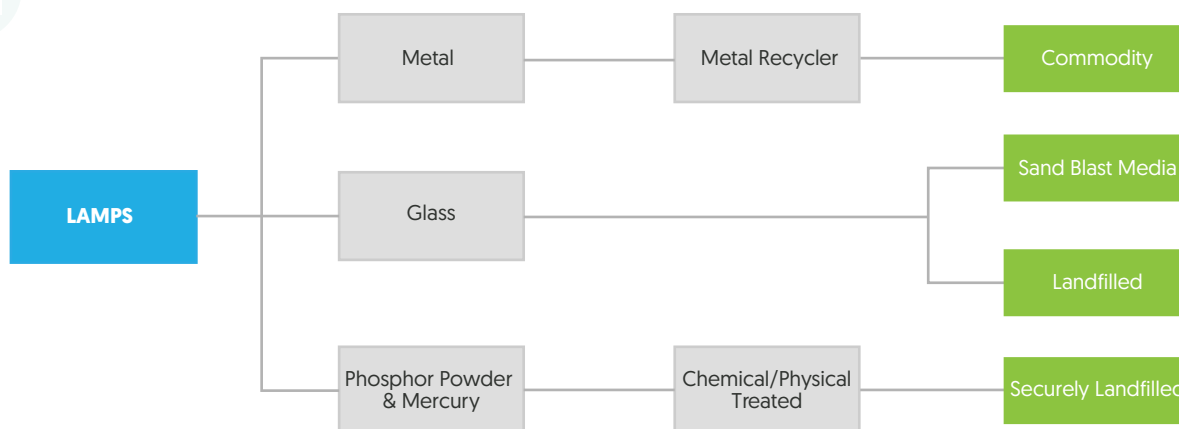
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Finances:

2017

Revenues	\$ 99,870
Program Expenses	
Processing	30,295
Collection	12,370
Transport	12,555
Administration	14,380
Communication	2,500
Total Program Expenses	\$ 72,100
Excess of Revenues over Expenses for the Year	\$ 27,770

Lamps Product Management Flowchart:



Nova Scotia Paint

Accepted Products:

- > Architectural paints and coatings
- > Paint aerosols [consumer, industrial and automotive]

Collection:



101

Collection Sites

445,939 L

Paint

Public Awareness:



68%

2017

Recovery Rate:



7.7%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Finances:

2017

Revenues	\$ 1,421,790
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Program Expenses

Processing	645,109
Collection	177,392
Transport	74,010
Administration	132,805
Communication	40,546

Total Program Expenses	\$ 1,069,862
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Excess of Revenues over Expenses for the Year	\$ 351,928
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Product Management:



1.1%

Reused

73.1%

Recycled

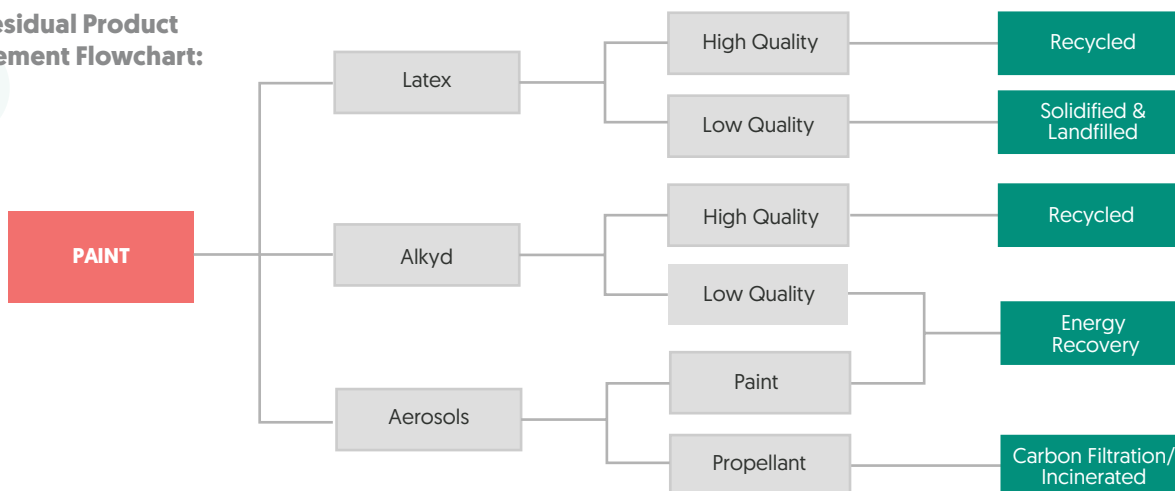
17.9%

Energy Recovery

7.9%

Solidified & Landfilled

Paint Residual Product Management Flowchart:



Newfoundland & Labrador Paint

Accepted Products:

- > Architectural paints and coatings
- > Paint aerosols [consumer, industrial and automotive]

Collection:

65

Collection Sites

191,242 L

Paint

Public Awareness:

58%

2017

Recovery Rate:

5.1%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

Finances:

2017

Revenues	\$ 755,303
Program Expenses	
Processing	325,018
Collection	65,464
Transport	220,152
Administration	80,141
Communication	46,290
Regulatory	6,685
Total Program Expenses	\$ 743,750
Excess of Revenues over Expenses for the Year	\$ 11,553

Product Management:

2.0%

Reused

76.3%

Recycled

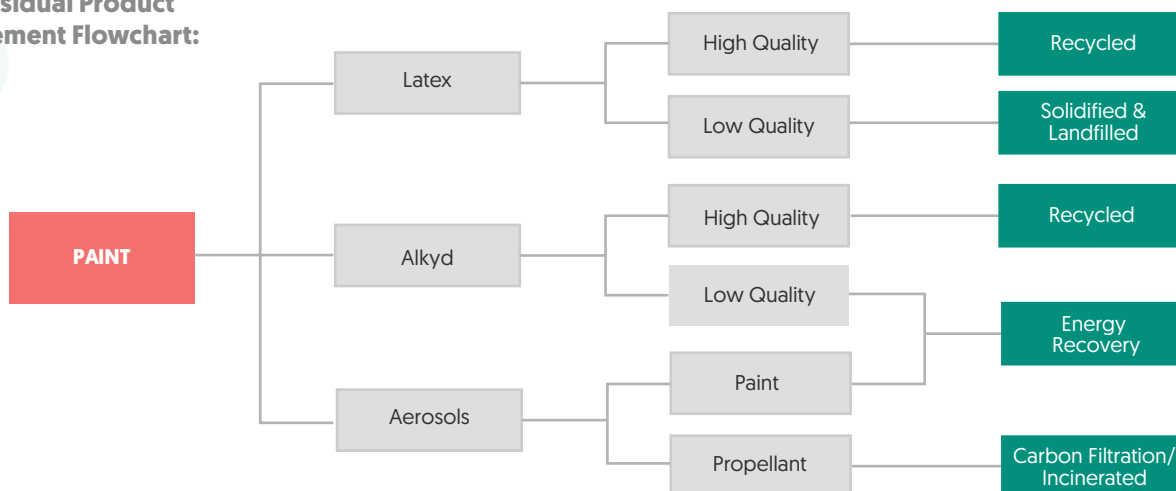
14.8%

Energy Recovery

6.9%

Solidified & Landfilled

Paint Residual Product Management Flowchart:



PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2017

PRODUCT CARE ASSOCIATION OF CANADA

Financial Statements

For the year ended 31 December 2017

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ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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E-mail: admin@rolfebenson.com

INDEPENDENT AUDITORS' REPORT

To the Members,
Product Care Association of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Product Care Association of Canada, which comprise the statement of financial position as at 31 December 2017, and the statements of changes in net assets, operations 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 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.

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 auditors consider internal control relevant to the Association'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 Association'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.



INDEPENDENT AUDITORS' REPORT - Continued

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Product Care Association of Canada as at 31 December 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
9 May 2018

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2017

	2017	2016
		(Notes 2 and 14)
Assets		
Current		
Cash and cash equivalents	\$ 10,440,147	\$ 9,131,327
Accounts receivable	3,694,871	4,286,078
Prepaid expenses and deposits	556,886	316,936
	<u>14,691,904</u>	<u>13,734,341</u>
Forgivable loans (Note 4)	412,888	385,058
Term deposits (Note 5)	14,000,000	9,000,000
Reserve - at market value (Note 6)	14,631,070	13,509,975
Tangible capital assets (Note 7)	9,446,786	9,541,354
Intangible assets (Note 8)	414,492	565,490
	<u>\$ 53,597,140</u>	<u>\$ 46,736,218</u>

Liability

Current		
Accounts payable and accrued liabilities	\$ 6,827,997	\$ 5,681,693

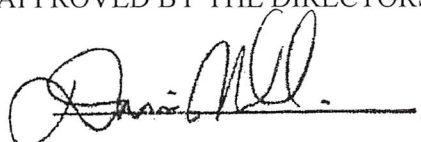
Commitments (Note 9)

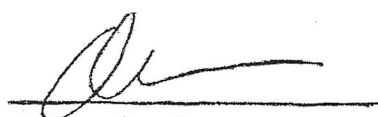
Contingencies (Note 13)

Net Assets

Unrestricted	22,276,795	17,437,706
Invested in tangible capital and intangible assets	9,861,278	10,106,844
Reserve - internally restricted (Note 6)	14,631,070	13,509,975
	<u>46,769,143</u>	<u>41,054,525</u>
	<u>\$ 53,597,140</u>	<u>\$ 46,736,218</u>

APPROVED BY THE DIRECTORS:

 Director


 Claude Brosseau 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 2017

	Unrestricted	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve	Total 2017	Total 2016
					(Notes 2 and 14)
Net assets - beginning of year					
As previously reported	\$ 20,180,067	\$ 10,106,844	\$ 13,509,975	\$ 43,796,886	\$ 38,332,701
Change in accounting policy (Note 2)	(2,742,361)	-	-	(2,742,361)	(2,659,725)
As restated	17,437,706	10,106,844	13,509,975	41,054,525	35,672,976
Excess of revenues over expenses for the year	5,714,618	-	-	5,714,618	5,381,549
Transfer to invested in tangible capital and intangible assets, net	245,566	(245,566)	-	-	-
Transfer to reserve	(1,121,095)	-	1,121,095	-	-
Net assets - end of year	\$ 22,276,795	\$ 9,861,278	\$ 14,631,070	\$ 46,769,143	\$ 41,054,525

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 2017

	2017	2016
		(Notes 2 and 14)
Revenues	\$ 44,915,116	\$ 43,848,520
Expenses		
Operating	36,881,912	36,284,243
General and administration	3,570,551	3,731,864
General communications	136,843	171,278
	<u>40,589,306</u>	<u>40,187,385</u>
Excess of revenues over expenses from operations	<u>4,325,810</u>	<u>3,661,135</u>
Other income		
Investment income	639,961	1,075,089
Unrealized gain on investments	479,271	452,484
Interest income	266,963	180,608
Gain on sale of marketable securities	1,863	1,175
Gain on sale of capital assets	750	11,058
	<u>1,388,808</u>	<u>1,720,414</u>
Excess of revenues over expenses for the year	<u>\$ 5,714,618</u>	<u>\$ 5,381,549</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 2017**

	2017	2016
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 5,714,618	\$ 5,381,549
Items not involving cash		
Gain on sale of tangible capital assets	(750)	(11,058)
Gain on sale of marketable securities	(1,863)	(1,175)
Market value adjustment to reserve	(479,271)	(452,484)
Amortization	567,893	328,629
Loans forgiven	35,330	17,895
	<u>5,835,957</u>	<u>5,263,356</u>
Changes in non-cash working capital balances		
Accounts receivable	591,207	918,903
Prepaid expenses and deposits	(239,950)	76,314
Accounts payable and accrued liabilities	1,146,304	310,242
	<u>7,333,518</u>	<u>6,568,815</u>
Investing activities		
Purchase of term deposits	(5,000,000)	(9,000,000)
Transfer to reserve	(639,961)	(1,075,089)
Purchase of capital assets - net	(322,327)	(3,262,437)
Proceeds on disposal of tangible capital assets	750	12,815
Purchase of intangible assets	-	(97,622)
	<u>(5,961,538)</u>	<u>(13,422,333)</u>
Financing activity		
Issuance of forgivable loans	<u>(63,160)</u>	<u>(166,259)</u>
Net increase (decrease) in cash and cash equivalents	1,308,820	(7,019,777)
Cash and cash equivalents - beginning of year	9,131,327	16,151,104
Cash and cash equivalents - end of year	\$ 10,440,147	\$ 9,131,327
Cash and cash equivalents consists of:		
Cash	\$ 2,238,394	\$ 2,980,355
Savings accounts	<u>8,201,753</u>	<u>6,150,972</u>
	<u>\$ 10,440,147</u>	<u>\$ 9,131,327</u>

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

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

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, flammables 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. Change in accounting policy

During the year, the Association changed its accounting policy for the recognition of revenue from Environmental Handling Fees (EHFs). In previous periods, the Association had recognized revenue from EHF’s in the period that the related program materials were sold by the member. The Association has now decided to recognize revenue from EHF’s at the end of the month following the reporting period that the program materials were sold by the member. Management believes that the new policy is preferable because it better reflects the requirements of the Association’s membership agreements which defines the members’ obligations under the various programs.

The Association has accounted for this change in accounting policy retroactively with a restatement of the prior years’ financial statements. As a result, net assets and accounts receivable was decreased by \$2,659,725 as at 1 January 2016, excess of revenues over expenses for the year ended 31 December 2016 was decreased by \$82,636, and net assets was decreased as at 1 January 2017 and accounts receivable was decreased as at 31 December 2016 by \$2,742,361.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

3. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(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, 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 the reserve which is comprised of various investments in mutual funds.

(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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

3. Summary of significant accounting policies - Continued

(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:

Storage depots	5 years
Office equipment	2 years
Depot equipment	2, 3 and 5 years
Leasehold improvements	5 years

(d) Intangible assets

Intangible assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates are 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

When a tangible capital or intangible asset no longer contributes to the services provided by the Association, its carrying amount is written down to its residual value.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

3. Summary of significant accounting policies - Continued

(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.

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

(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 operations.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

4. Forgivable loans

During the year, the Association has advanced funds in the form of forgivable loans to various organizations for the development of collection facilities for specific programs (Note 9(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 30% 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.

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 385,058	\$ 236,694
Funds advanced during the year	63,160	166,259
Loans forgiven during the year	<u>(35,330)</u>	<u>(17,895)</u>
Balance, end of year	<u>\$ 412,888</u>	<u>\$ 385,058</u>

5. Term deposits

As at 31 December 2017, the Association held term deposits totalling \$14,000,000 (2016 - \$9,000,000) with maturity dates ranging from 9 November 2019 to 28 November 2020 and bearing interest at 1.5% to 2.1% per annum.

6. 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, future program expenses, potential penalties 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 the transfers to the fund were limited to the income earned on the investments in 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 is initially reported in the unrestricted fund and then transferred to the reserve fund. During the year, \$1,121,095 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$479,271 at 31 December 2017 and realized investment income and gain of \$641,824. In the prior year, \$1,528,748 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$452,484 at 31 December 2016 and realized investment income of \$1,076,264.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

7. Tangible capital assets

	Cost	Accumulated Amortization	2017 Net	2016 Net
Land	\$ 3,403,983	\$ -	\$ 3,403,983	\$ 3,423,983
Building	5,907,364	228,088	5,679,276	5,813,712
Depot equipment	1,946,939	1,585,802	361,137	299,036
Leasehold improvements	501,296	498,906	2,390	4,623
	<u>\$ 11,759,582</u>	<u>\$ 2,312,796</u>	<u>\$ 9,446,786</u>	<u>\$ 9,541,354</u>

Legal ownership of the building resides with a bare trustee corporation. The Association has beneficial ownership of the building.

Included in operating expenses and general and administrative expenses is a total of \$416,896 (2016 - \$187,880) of amortization expense.

8. Intangible assets

	Cost	Accumulated Amortization	2017 Net	2016 Net
ERP Software	\$ 754,986	\$ 390,494	\$ 364,492	\$ 515,490
Quebec RecycFluo Program	50,000	-	50,000	50,000
	<u>\$ 804,986</u>	<u>\$ 390,494</u>	<u>\$ 414,492</u>	<u>\$ 565,490</u>

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 2017 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$150,997 (2016 - \$140,749) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

9. Commitments

- (a) The Association has a lease agreement for the Vancouver office building which expires on 31 January 2018. The Association has exercised the option to renew this lease for an additional 36 months.

The Association has a lease agreement for the Quebec office suite which expires on 31 May 2018. The Association has the option to renew this lease for an additional five years.

The annual lease payments for the Association's premises and other operating leases are as follows:

2018	\$ 220,366
2019	169,583
2020	176,458
2021	<u>14,757</u>
	<u>\$ 581,164</u>

- (b) The Association has committed up to \$1,285,000 to be used for the development of collection facilities for certain 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 2017, \$466,113 of loans have been disbursed relating to this commitment (Note 4) and \$53,225 of loans have been forgiven.
- (c) The BC Ministry of Environment requires owners of short term storage facilities of hazardous waste to provide a security deposit to be used in the event the owner is unable to meet the requirements stipulated by the Hazardous Waste Regulation. The deposit amount, as it pertains to the building (Note 7), is estimated to be \$574,282 and is payable by 30 June 2018.
- (d) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$760,238 which will be incurred during 2018.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

10. 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 2017.

(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, term deposits, accounts receivable and forgivable loans. Cash, cash equivalents 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 2017, cash and accounts receivable of \$160,286 USD and \$126,279 USD (2016 - \$177,059 USD and \$67,325 USD) respectively and accounts payable and accrued liabilities of \$55,466 USD (2016 - \$41,352 USD) has been converted into Canadian dollars. There has been no change to the risk exposure from the prior year.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

10. 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 its investments held in the reserve. There has been no change to the risk exposure from the prior year.

11. 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. The Association and PCA PSI have certain members of the Board of Directors in common.

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.

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 2017 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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

11. Controlled organization - Continued

PCA PSI

	31 December 2017	31 December 2016
	(unaudited)	
Financial Position		
Total assets	\$ 648,299	\$ 1,088,372
Total liabilities	195,895	230,531
Total net assets	452,404	857,841
	\$ 648,299	\$ 1,088,372
	31 December 2017	31 December 2016
	(unaudited)	
Results of Operations		
Total revenue	\$ 1,315,468	\$ 1,982,257
Total expenses	1,676,631	1,761,387
Excess (deficiency) of revenues over expenses	\$ (361,163)	\$ 220,870
	31 December 2017	31 December 2016
	(unaudited)	
Cash Flows		
Cash provided by operating activities	\$ (307,713)	\$ 532,898
Cash used by investing activities	-	(11,212)
Increase (decrease) in cash	\$ (307,713)	\$ 521,686

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2017

12. Related party transactions

The Association is related to PCA PSI (Note 11). The following summarizes the related party balances and transactions for the year.

Included in accounts receivable is \$14,943 (2016 - \$12,372) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2018 fiscal year.

Included in revenues is \$124,461 (2016 - \$123,269) 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.

13. Contingencies

Included in operating expenses are estimated penalties as a result of the program not meeting certain material collection targets. These penalties are payable to the Quebec Green Fund 5 years after the year they are incurred. These penalties can be offset over those 5 years if the program exceeds collection targets. The estimated penalties incurred are as follows:

2015	\$ 284,255
2016	440,901
2017	<u>551,925</u>
	<u>\$ 1,277,081</u>

14. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.