

2019

2019

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Annual Report





Table of Contents

Board of Directors	3
Letter from the President	4
Letter from the Chair	5
About Us	6
Product Overview	7
Celebrating 25 Years of Recycling	10
2019 Highlights	11
Programs	12
British Columbia Paint & HHW	13
British Columbia Lights	15
British Columbia Alarms	17
Saskatchewan Paint	18
Manitoba Paint, HHW, Lights	19
Ontario Paint	22
Ontario Pesticides, Solvents, Fertilizers (PSF)	24
Québec Recycfluo	26
Prince Edward Island Paint	27
Prince Edward Island Lights	28
New Brunswick Paint	29
Nova Scotia Paint	30
Newfoundland & Labrador Paint	31
Audited Financials	32

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

Darrin Noble – Home Hardware | Paint

Richard Tremblay – Benjamin Moore & Co. | Paint

Wayne Edwards – Electro-Federation | Lighting & Alarms

Dejan Lenasi – Signify Canada Ltd. | Lighting & Alarms

Jules Foisy Lapointe – Lowe's Canada | Retail

Karen Stephenson – Scotts Canada | Other Products

David Chaulk – Cloverdale Paint | Other Products

Steve Wolinsky – Rust-Oleum Canada | Other Products



Letter from the President

In 2019, we passed some important milestones including the launch of our unified “Product Care Recycling” brand and the celebration of the 25th anniversary of our first recycling program— BC Paint—launched in 1994.

We also began the process of expanding our Manitoba lighting program to include lamps generated by industrial, commercial and institutional users, as well as preparing for the implementation of a household hazardous waste program in Saskatchewan.

While Product Care has been operating “industry stewardship programs” (ISPs) for paint and pesticide/solvent/fertilizer in Ontario for several years, we are now preparing to become a “PRO” (producer responsibility organization) under the province’s new “individual producer responsibility” regulatory model, scheduled to take effect for these products on July 1, 2021.

We also continue to work towards the launch of a lighting products recycling program in Ontario, scheduled for January 1, 2021. It is 10 years since the start of our first lighting products recycling program in BC, followed by programs in Quebec (RecycFluo), Manitoba, and PEI. Our decade of experience with this product category, as well as the interim

lighting products program we operated in Ontario in 2015–2016, put us in a strong position to successfully manage this program in Ontario.

As always, Product Care will continue to collaborate with stakeholders and regulators to identify better ways to serve consumers, achieve regulatory compliance for members and protect the environment.

With the ever-changing landscape of the special waste management industry, Product Care remains committed to our goal to divert the products we manage from landfills and waterways, ensuring they are managed responsibly and efficiently at their end-of-life.

Finally, I would like to give special thanks to the employees, board of directors, members and stakeholders of Product Care Recycling who are instrumental in the success of our organization.

Regards,

Mark Kurschner,
President



Letter from the Chair

As the newly appointed chair of Product Care's board of directors, I am honoured to be entrusted with this very important responsibility. I would first like to take this opportunity to thank Darrin Noble for his commitment, guidance and leadership as the Product Care board chair from 2015-2019, and in his continuing role as a board member since 2009. Product Care benefited greatly from Darrin's extensive experience in both manufacturing and retail, as well as management and governance. I feel very fortunate to take on the role of Chair representing an organization committed to responsible product stewardship and protecting the environment, while helping our industry members meet their regulatory obligations.

Last year was an exciting time as 2019 marked the 25th anniversary of Product Care launching the world's first paint stewardship program in BC (1994). Since then, Product Care has continued to demonstrate leadership in special waste management, now operating 16 programs throughout Canada and the US in four product categories: paint, household hazardous waste, lighting products, and smoke and carbon monoxide alarms.

And the next few years will be anything but business as usual for Product Care as we expand our Manitoba lighting program, implement a Saskatchewan household hazardous waste program and prepare for both the introduction of lighting products and the transition of our existing programs under the new Ontario regulatory model. I can say with the utmost confidence that Product Care is poised to embrace these changes with the same commitment and determination we have exhibited over the last quarter century.

I look forward to working alongside Darrin Noble and our entire board of directors, as well as our dedicated employees, supportive members and collaborative stakeholders, as we look ahead to Product Care's next 25 years as a trailblazer in the product stewardship industry.

Regards,

Vince Rea
Board Chair
(appointed June 18, 2019)

About Us

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.

Values

Environmental commitment
Service and member orientation
Continuous improvement
Transparency
Collaboration
Accountability

Product Overview

Paint

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. Product Care 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 more than 1,000 permanent collection sites in eight provinces. Depending on the province, the collection system includes 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 volumes of leftover paint.

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 end-of-life paint is managed with the environment in mind, diverting it from Canada's landfills and waterways.

In 2019, Product Care recovered 10.3 million litres of paint – equivalent to 1.4 seconds of water flow through the St. Lawrence River.



PaintShare

Product Care's PaintShare program launched in British Columbia more than a decade ago. PaintShare allows members of the public and non-profit organizations to pick up leftover paint for use in homes, on buildings, and by artists, theatre groups, and anti-graffiti programs. Paint can be picked up free of charge at more than 250 permanent collection sites in eight provinces.



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 by Product Care vary depending on the 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 300 permanent collection sites 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, 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 lighting products managed in each Product Care lighting program.

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

In 2019, Product Care diverted more than 11.6 million light bulbs from landfills – nearly enough to light every home in Winnipeg, MB and Victoria, BC.

Lighting products included per province

	BC (All Sectors)	MB (All Sectors)*	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	✓			

*ICI lights program launched January 2020

Alarms

Started in October 2011, Product Care'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 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 growing collection network includes non-profit organizations, retailers, local government facilities, fire departments, bottle depots and private recycling businesses.

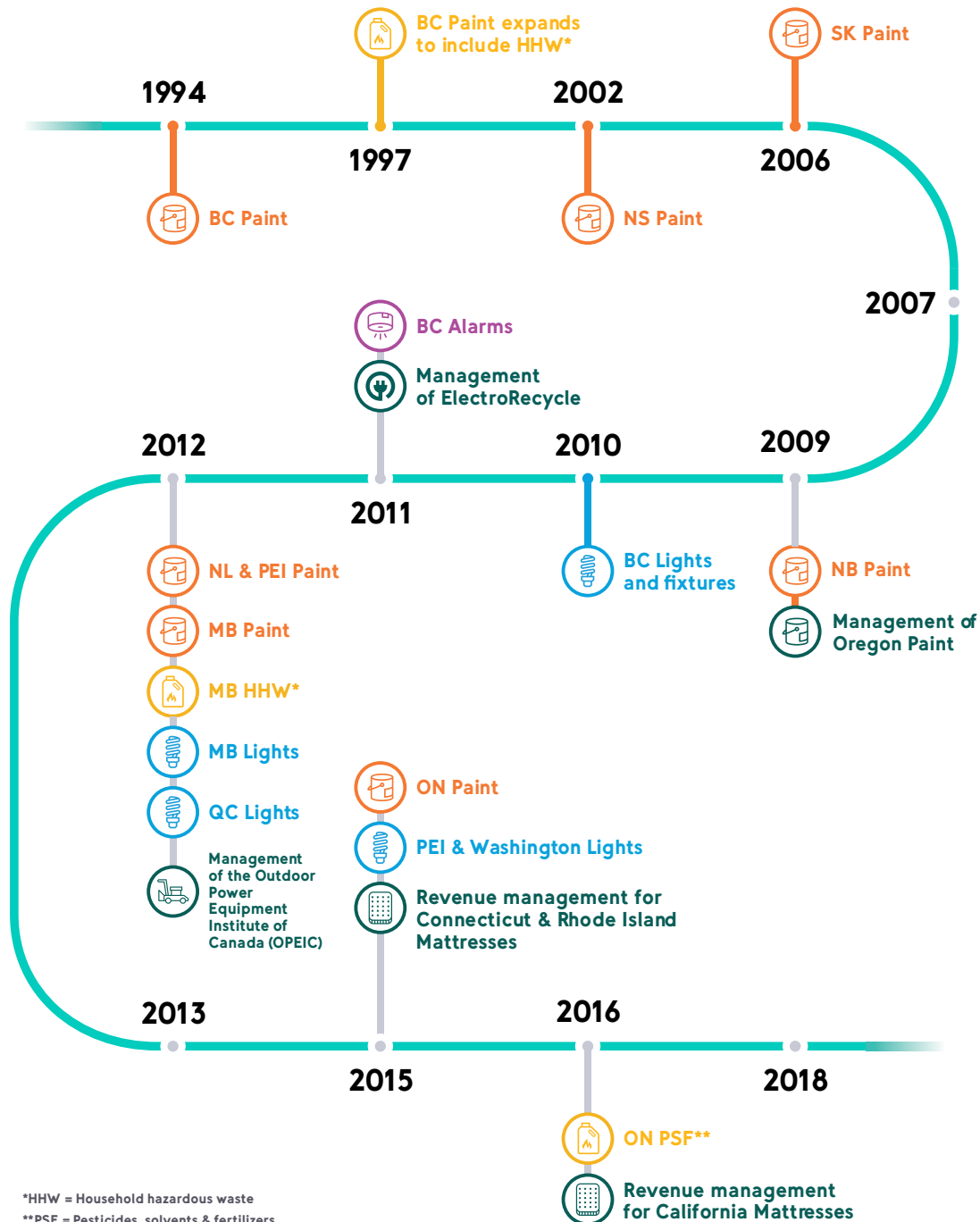
The success of the program is due in part to continued support from the local community, including fire safety organizations, electrical distributors, public institutions and municipal governments.

In 2019, the program diverted more than 107,000 alarms from British Columbia's landfills – 179 times the height of Canada's tallest tree.



Celebrating 25 Years of Recycling

This year marks the 25th anniversary of Product Care Recycling—we've come a long way from our first paint recycling program in British Columbia! See our recycling journey summarized below:



2019 Highlights

Overview



13 programs
9 provinces
4 product categories



665 members'
environmental
obligations fulfilled



New brand launch

Accessibility & Collection



>2,700 recycling
locations in Canada
460 one day
collection events

We recycled:



~10.3M
litres of paint



~11.6M
light bulbs



~107k
smoke alarms

Consumer Awareness



+6.3M earned media
impressions across
Canada
160% increase in earned
media hits compared to
2018



58% increase in web traffic
compared to 2018
+6.2M impressions via
social media

Programs

Recovery rate

Recovery rate is a measure of program performance, comparing the quantity of product collected to the quantity of product sold into the market.

The recovery rate for paint programs is based on liquid volume of product sold and collected, except Ontario, which refers to the total weight of product sold and collected, including the paint container.

In Quebec, the recovery rate for lamps compares the quantity of lamps collected in the current year to the quantity sold in a prior reference year.

Values rounding

All paint collection volumes, lamp units and alarm units have been rounded to the nearest thousand. All household hazardous waste collection volumes have been rounded to the nearest hundred.

British Columbia Paint & Household Hazardous Waste

ACCEPTED PRODUCTS

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

COLLECTION

222	Recycling locations
2	Collection events
2,930,000L	Paint
23,400L	Pesticides
147,000L	Flammable liquids & gasoline

RECOVERY RATE

9.7%	Paint
18.1%	Pesticides
5.3%	Flammable liquids & gasoline

CONSUMER AWARENESS

76%	Paint (2019)
68%	HHW (2019)

FINANCES

	2019
Revenues	\$ 8,733,235
Program Expenses	
Processing	3,692,638
Collection	1,575,719
Transport	1,256,481
Administration	1,161,376
Communication	115,631
Total Program Expenses	\$ 7,801,845
Excess of Revenues over Expenses for the Year	\$ 931,390

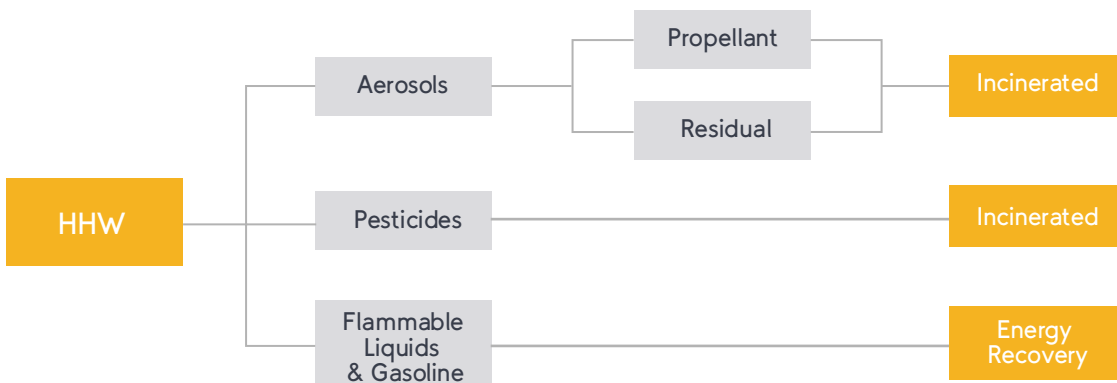
PAINT & HHW PRODUCT MANAGEMENT TABLE

	Reused	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	2.1%	93.8%	6.3%	—	—
Alkyd Paint	—	—	100%	—	—
Flammable Liquids & Gasoline	—	—	100%	—	—
Pesticides	—	—	—	100%	—

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



HHW RESIDUAL PRODUCT MANAGEMENT FLOW CHART



British Columbia Lights

ACCEPTED PRODUCTS

- 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

449	Recycling locations
14	Collection events
7,242,000	Units of lights
7,500kg	PCB ballasts
722t	Residential fixtures

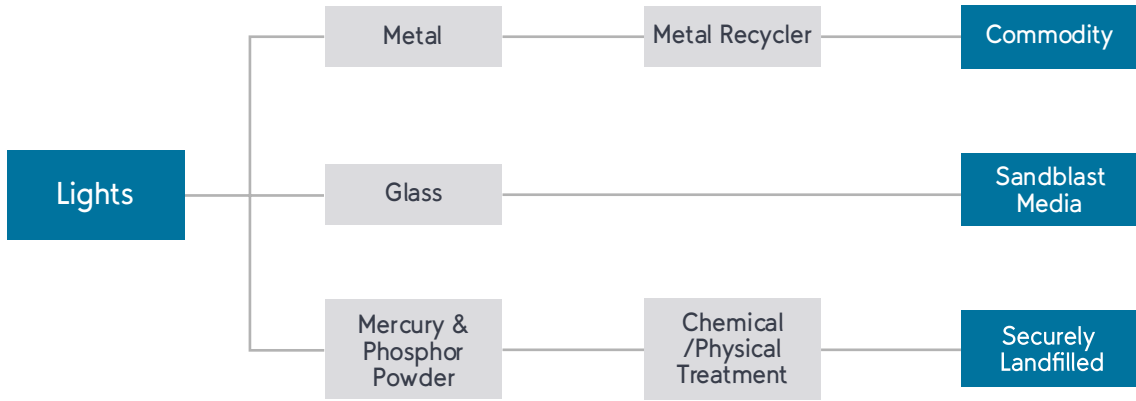
CONSUMER AWARENESS

69% (2019)

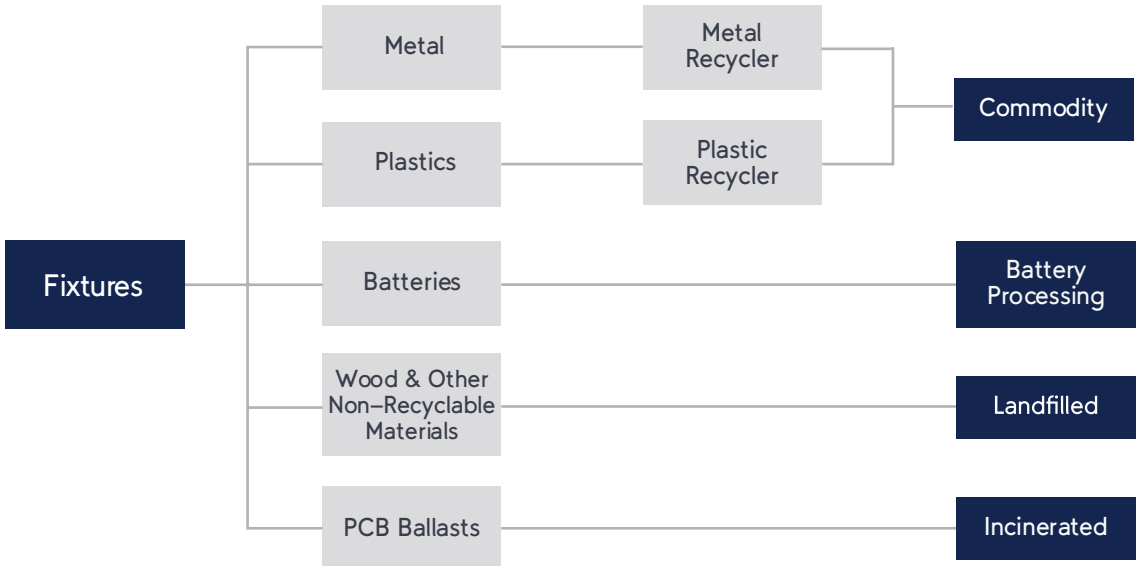
FINANCES

	2019
Revenues	\$ 5,476,221
Program Expenses	
Processing	3,103,070
Collection	691,079
Transport	329,414
Administration	463,055
Communication	192,465
Total Program Expenses	\$ 4,779,083
Excess of Revenues over Expenses for the Year	\$ 697,138

LIGHTS PRODUCT MANAGEMENT FLOW CHART



FIXTURES PRODUCT MANAGEMENT FLOW CHART



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

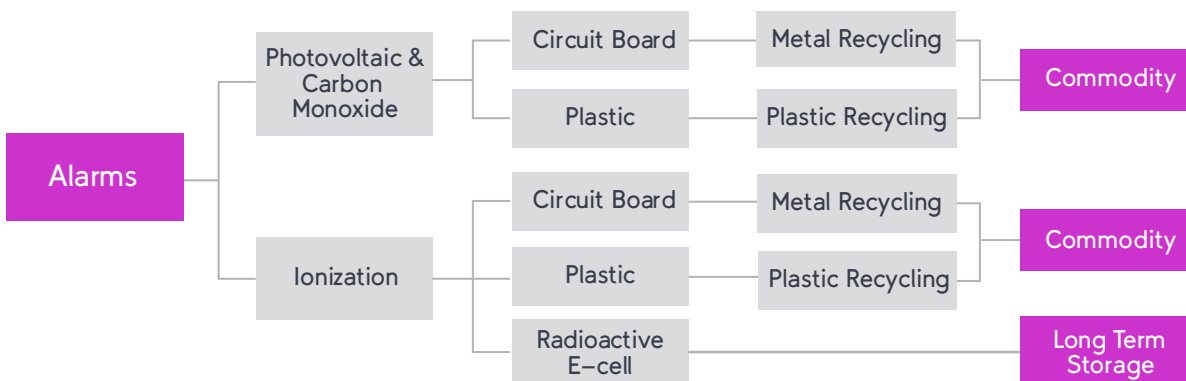
207 Recycling locations

107,000 Units of alarms

ALARMS PRODUCT MANAGEMENT TABLE

	Recycled	Long Term Storage
Metal	100%	-
Plastic	100%	-
Radioactive cells	-	100%

ALARMS PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 749,439
Program Expenses	
Processing	449,632
Collection	67,458
Transport	58,325
Administration	59,592
Communication	46,602
Total Program Expenses	\$ 681,609
Excess of Revenues over Expenses for the Year	\$ 67,830

CONSUMER AWARENESS

42% (2018)

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

87

Recycling locations

26

Collection events

429,000L

Paint

PAINT PRODUCT MANAGEMENT*

19.2%

Reused

42.2%

Recycled

29.2%

Energy recovery

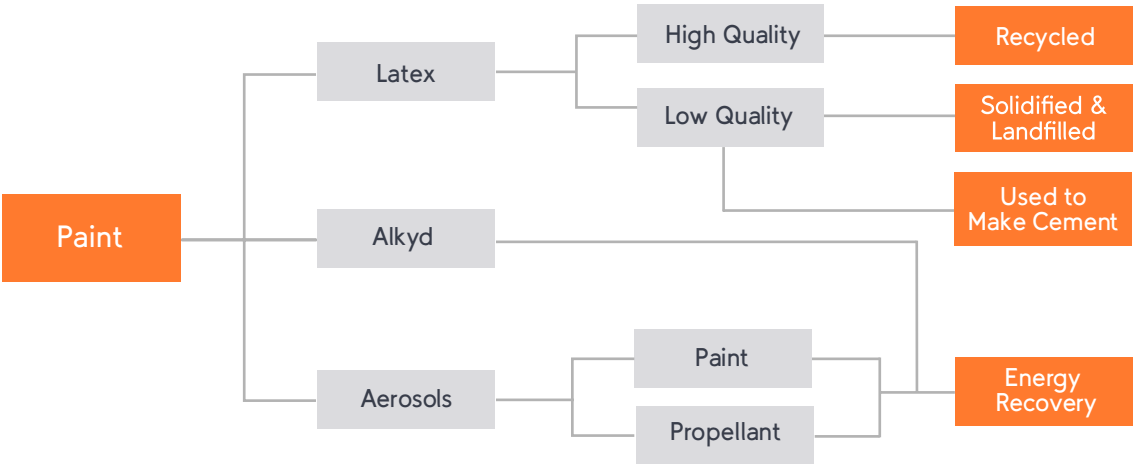
0.1%

Incinerated

9.3%

Solidified & landfilled

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 1,107,621
Program Expenses	
Processing, Collection, Transport	778,906
Administration	80,351
Communication	60,481
Total Program Expenses	\$ 919,737
Excess of Revenues over Expenses for the Year	\$ 187,883

RECOVERY RATE

8.0%

CONSUMER AWARENESS

73% (2018)

Manitoba Paint, Household Hazardous Waste & Lights

ACCEPTED PRODUCTS

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

COLLECTION

113	Recycling locations
15	Collection events
253,000L	Paint
14,500L	Toxics, including pesticides
11,800L	Corrosives
70,600L	Flammable liquids & gasoline
14,300	Units of physically hazardous product
191,000	Units of lights

RECOVERY RATE

4.1%	Paint
4.7%	Toxics, including pesticides
12.8%	Corrosives
10.1%	Flammable liquids & gasoline
7.2%	Physically hazardous products

CONSUMER AWARENESS

60%	Paint (2019)
58%	HHW (2019)

FINANCES

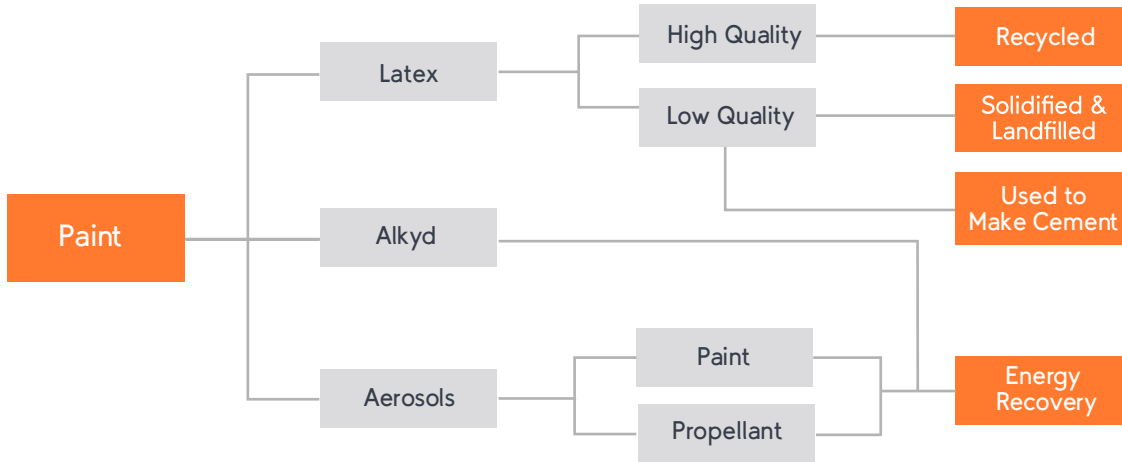
	2019
Revenues	\$ 1,163,363
Program Expenses	
Processing	550,753
Collection	382,122
Transport	343,092
Administration	313,128
Communication	111,287
Total Program Expenses	\$ 1,700,382
Deficiency of Revenues over Expenses for the Year	\$ (537,019)

PAINT & HHW PRODUCT MANAGEMENT TABLE

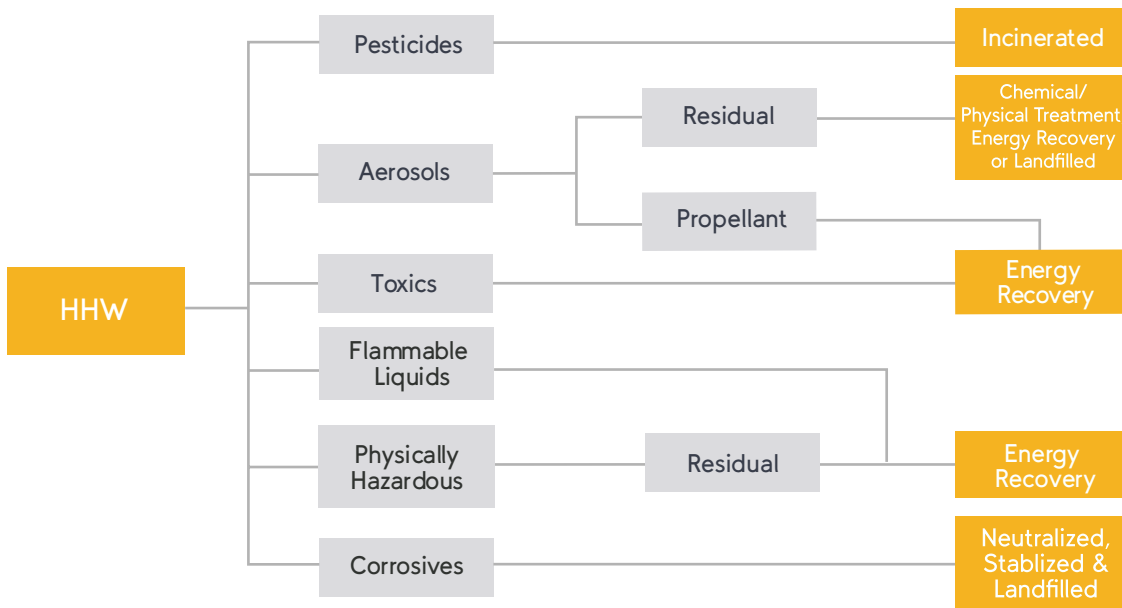
	Reused	Recycled	Energy Recovery	Incinerated	Chemically/ Physically Treated & Landfilled
Latex Paint	—	39.1%	—	—	60.9%
Alkyd Paint	—	—	100%	—	—
Flammable Liquids & Gasoline	—	—	100%	—	—
Pesticides	—	—	—	100%	—
Corrosives	—	—	—	—	100%
Toxics	—	—	100%	—	—
Physically Hazardous	—	—	100%	—	—



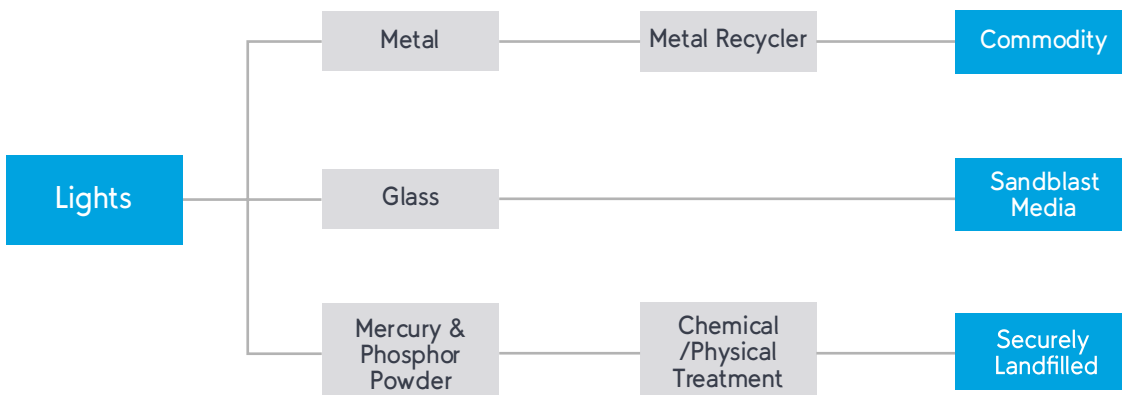
PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



HHW RESIDUAL PRODUCT MANAGEMENT FLOW CHART



LIGHTS PRODUCT MANAGEMENT FLOW CHART



Ontario Paint

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial, automotive)

COLLECTION

423 Permanent recycling locations

298 Collection events

9,739t Paint

RECOVERY RATE

11.4% Paint

PAINT PRODUCT MANAGEMENT TABLE

	Reused	Recycled	Energy Recovery	Solidified & Landfilled
Latex Paint	1%	67%	15%	17%
Alkyd Paint	—	96%	4%	—
Aerosols	—	53%	47%	—

CONSUMER AWARENESS

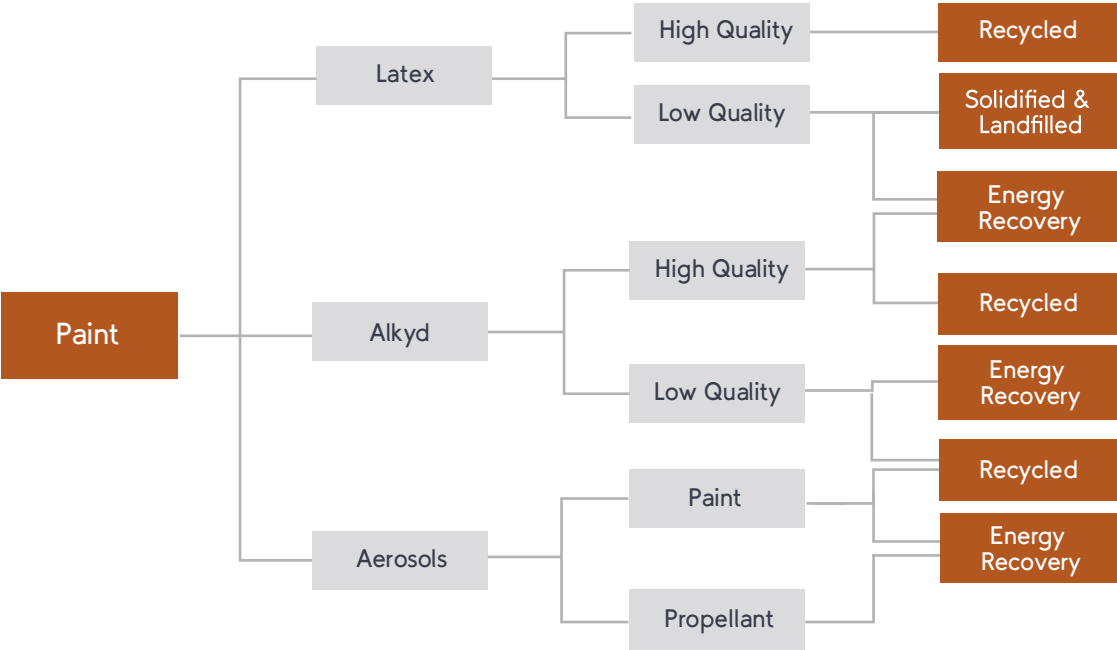
55% (2017)

FINANCES

	2019
Revenues	\$ 16,064,258
Program Expenses	
Processing	6,037,856
Collection*	6,248,948
Transport	1,963,317
Administration	1,510,962
Communication	70,225
Regulatory	384,406
Total Program Expenses	\$ 16,215,714
Deficiency of Revenues over Expenses for the Year	\$ (151,456)

Financials include paint, pesticides, solvents and fertilizers. *Note: Collection includes municipal events

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



Ontario Pesticides, Solvents, Fertilizers

ACCEPTED PRODUCTS

- Pesticides – domestic pesticides
- Solvents – Liquids intended to dissolve or thin a compatible substance
- Fertilizers – Packaged products regulated under the Fertilizers Act [Canada]

COLLECTION

98	Permanent recycling locations
298	Collection events
220t	Pesticides
26t	Solvents
26t	Fertilizers

RECOVERY RATE

5.6%

CONSUMER AWARENESS

52% (2017)

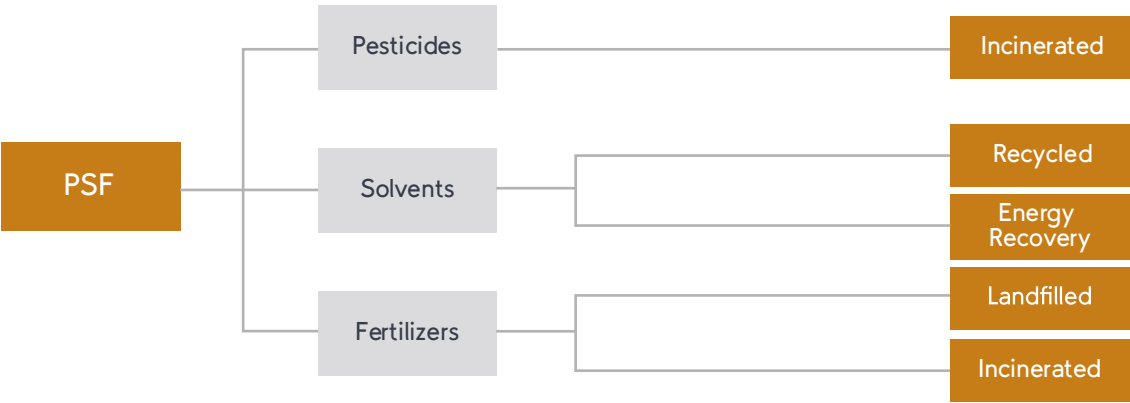
FINANCES

Financials for the Ontario Paint program include pesticides, solvents, and fertilizers (see table on page 23).

PSF PRODUCT MANAGEMENT TABLE

	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Pesticides	3%	—	97%	—
Solvents	2%	98%	—	—
Fertilizers	—	—	24%	76%

PSF RESIDUAL PRODUCT MANAGEMENT FLOW CHART



Québec RecycFluo

ACCEPTED PRODUCTS

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

COLLECTION

891 Recycling locations
43 Collection events
4,333,000 Units of lights

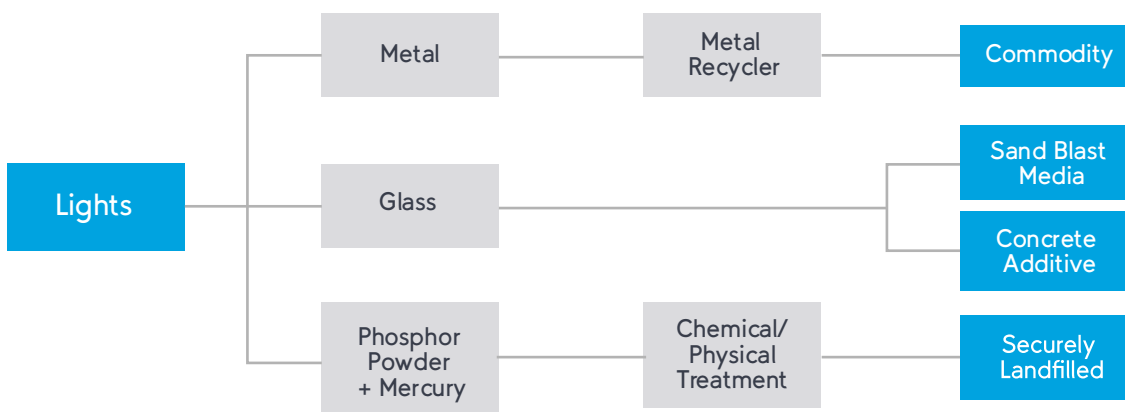
RECOVERY RATE

53% Fluorescent tubes
36% HIDs
8% CFLs

CONSUMER AWARENESS

34% (2018)

LIGHTS PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 3,388,038
Program Expenses	
Processing	1,636,131
Collection	390,571
Transport	846,703
Administration	406,969
Communication	221,357
Regulatory	(1,920,846)
Total Program Expenses	\$ 1,580,885
Excess of Revenues over Expenses for the Year	\$ 1,807,153

Prince Edward Island Paint

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial, automotive)

COLLECTION

6 Recycling locations
77,900L Paint

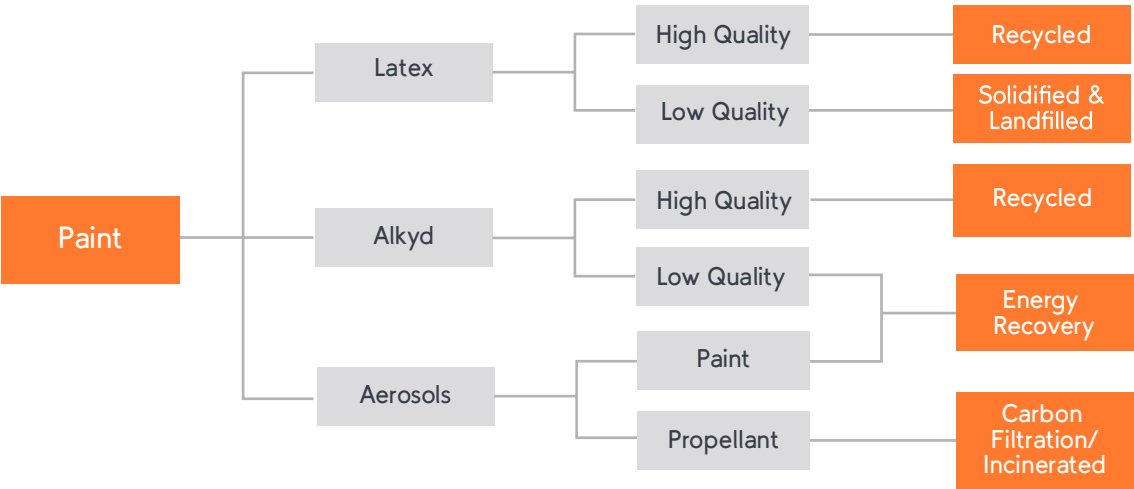
RECOVERY RATE

8.1%

PAINT PRODUCT MANAGEMENT

0.5% Reused
75.3% Recycled
5.2% Energy recovery
19.0% Solidified & landfilled

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 440,078
Program Expenses	
Processing, Collection, Transport	328,363
Administration	22,403
Communication	12,097
Regulatory	10,275
Total Program Expenses	\$ 373,138
Excess of Revenues over Expenses for the Year	\$ 66,940

Financials are rounded to the nearest thousand.

CONSUMER AWARENESS

74% (2019)

Prince Edward Island Lights

ACCEPTED PRODUCTS

- 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

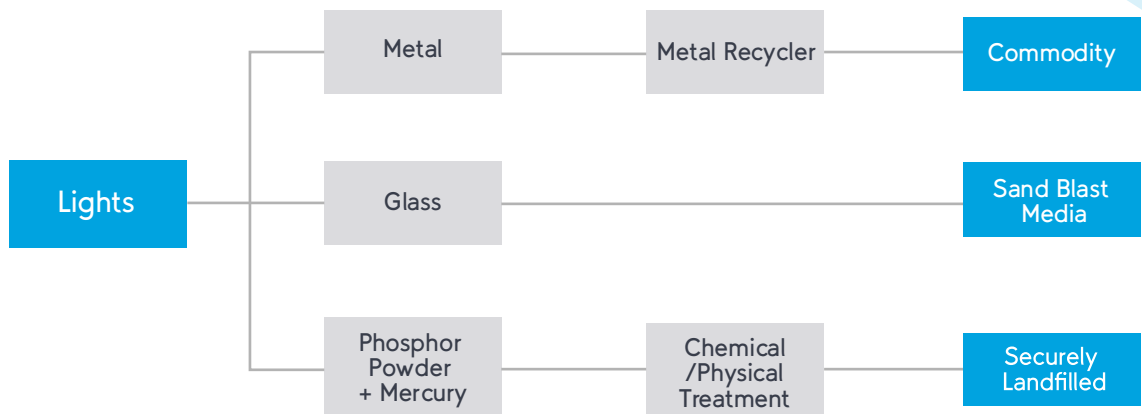
COLLECTION

7 Recycling locations
99,400 Units of lights

CONSUMER AWARENESS

45% (2019)

LIGHTS PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 68,055
Program Expenses	
Processing, Collection, Transport	61,874
Administration	10,338
Communication	4,859
Regulatory	5,000
Total Program Expenses	\$ 82,071
Deficiency of Revenues over Expenses for the Year	\$ (14,017)

Financials are rounded to the nearest thousand.

New Brunswick Paint

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial, automotive)

COLLECTION

64 Recycling locations
56 Collection events
300,000L Paint

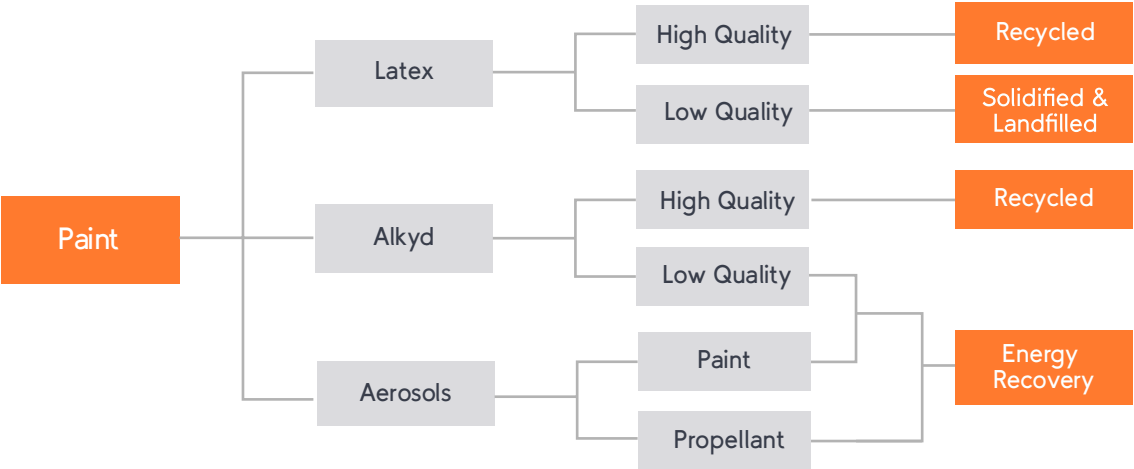
RECOVERY RATE

6.4%

PAINT PRODUCT MANAGEMENT

0.3% Reused
78.1% Recycled
2.3% Energy recovery
19.3% Solidified & landfilled

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 1,195,671
Program Expenses	
Processing	605,059
Collection	113,495
Transport	177,922
Administration	111,212
Communication	48,578
Regulatory	20,789
Total Program Expenses	\$ 1,077,055
Excess of Revenues over Expenses for the Year	\$ 118,616

CONSUMER AWARENESS

80% (2019)

Nova Scotia Paint

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial, automotive)

COLLECTION

99 Recycling locations
472,000L Paint

RECOVERY RATE

8.4%

PAINT PRODUCT MANAGEMENT

0.8% Reused
72.2% Recycled
19.3% Energy recovery
7.7% Solidified & landfilled

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 1,331,350
Program Expenses	
Processing	813,701
Collection	172,259
Transport	106,618
Administration	170,730
Communication	30,780
Total Program Expenses	\$ 1,294,088
Excess of Revenues over Expenses for the Year	\$ 37,262

CONSUMER AWARENESS

80% (2019)

Newfoundland & Labrador Paint

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial, automotive)

COLLECTION

60 Recycling locations
6 Collection events
199,000L Paint

RECOVERY RATE

6.0%

PAINT PRODUCT MANAGEMENT

2.5% Reused
76.6% Recycled
1.5% Energy recovery
19.4% Solidified & landfilled

PAINT RESIDUAL PRODUCT MANAGEMENT FLOW CHART



FINANCES

	2019
Revenues	\$ 652,784
Program Expenses	
Processing	493,728
Collection	62,419
Transport	280,394
Administration	91,600
Communication	77,057
Regulatory	31,654
Total Program Expenses	\$ 1,036,852
Deficiency of Revenues over Expenses for the Year	\$ (384,068)

CONSUMER AWARENESS

67% (2019)

PRODUCT CARE ASSOCIATION OF CANADA
FINANCIAL STATEMENTS
31 DECEMBER 2019

PRODUCT CARE ASSOCIATION OF CANADA

Financial Statements

For the year ended 31 December 2019

Contents

Independent Auditors' Report	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 18



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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 2019, 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 2019, 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.

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.



INDEPENDENT AUDITORS' REPORT - Continued

The 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.
- ♦ 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.



INDEPENDENT AUDITORS' REPORT - Continued

- ♦ 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
10 April 2020

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 17,145,675	\$ 16,787,200
Accounts receivable	3,115,474	3,347,048
Prepaid expenses and deposits (Note 8(d))	1,906,291	228,146
	<u>22,167,440</u>	<u>20,362,394</u>
Forgivable loans (Note 3)	395,765	451,786
Term deposits (Note 4)	14,545,880	14,252,670
Reserve - at market value (Note 5)	15,896,183	13,929,627
Tangible capital assets (Note 6)	8,933,951	9,186,356
Intangible assets (Note 7)	113,469	263,495
	<u>\$ 62,052,688</u>	<u>\$ 58,446,328</u>

Liability

Current		
Accounts payable and accrued liabilities	\$ 5,008,903	\$ 6,845,011

Commitments (Note 8)

Members' Equity

Unrestricted	32,100,182	28,221,839
Invested in tangible capital and intangible assets	9,047,420	9,449,851
Reserve - internally restricted (Note 5)	15,896,183	13,929,627
	<u>57,043,785</u>	<u>51,601,317</u>
	<u>\$ 62,052,688</u>	<u>\$ 58,446,328</u>

APPROVED BY THE DIRECTORS:

 Director

 Director

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

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Changes in Net Assets
For the year ended 31 December 2019

	Unrestricted	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve	Total 2019	Total 2018
Net assets - beginning of year	\$ 28,221,839	\$ 9,449,851	\$ 13,929,627	\$ 51,601,317	\$ 46,769,143
Excess (deficiency) of revenues over expenses for the year	6,017,753	(575,285)	-	5,442,468	4,832,174
Transfer to invested in tangible capital and intangible assets, net	(172,854)	172,854	-	-	-
Transfer to reserve	(1,966,556)	-	1,966,556	-	-
Net assets - end of year	\$ 32,100,182	\$ 9,047,420	\$ 15,896,183	\$ 57,043,785	\$ 51,601,317

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 2019

	2019	2018
Revenues	\$ 41,748,412	\$ 44,949,950
Expenses		
Operating	35,298,468	35,969,708
General and administration	3,467,643	3,744,782
General communications	204,431	189,801
	<u>38,970,542</u>	<u>39,904,291</u>
Excess of revenues over expenses from operations	<u>2,777,870</u>	<u>5,045,659</u>
Other income (expenses)		
Investment income	1,162,903	783,191
Unrealized gain (loss) on investments	799,325	(1,484,237)
Interest income	697,712	487,958
Gain (loss) on sale of marketable securities	4,658	(397)
	<u>2,664,598</u>	<u>(213,485)</u>
Excess of revenues over expenses for the year	<u>\$ 5,442,468</u>	<u>\$ 4,832,174</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 2019**

	2019	2018
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 5,442,468	\$ 4,832,174
Items not involving cash		
Gain (loss) on sale of marketable securities	(4,658)	397
Market value adjustment to reserve	(799,325)	1,484,237
Amortization	575,285	576,075
Loans forgiven	56,021	56,022
	<u>5,269,791</u>	<u>6,948,905</u>
Changes in non-cash working capital balances		
Accounts receivable	231,574	347,823
Prepaid expenses and deposits	(1,678,145)	328,740
Accounts payable and accrued liabilities	(1,836,108)	17,013
	<u>1,987,112</u>	<u>7,642,481</u>
Investing activities		
Purchase of term deposits	(293,210)	(252,670)
Transfer to reserve	(1,162,573)	(783,191)
Purchase of capital assets - net	(172,854)	(164,647)
	<u>(1,628,637)</u>	<u>(1,200,508)</u>
Financing activity		
Issuance of forgivable loans	-	(94,920)
Net increase in cash and cash equivalents	358,475	6,347,053
Cash and cash equivalents - beginning of year	16,787,200	10,440,147
Cash and cash equivalents - end of year	\$ 17,145,675	\$ 16,787,200
Cash and cash equivalents consists of:		
Cash	\$ 15,458,973	\$ 13,926,097
Savings accounts	1,686,702	2,861,103
	<u>\$ 17,145,675</u>	<u>\$ 16,787,200</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 2019

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. 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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

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
Leasehold improvements	5 years

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

2. Summary of significant accounting policies - Continued

(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 rate is as follows:

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

(e) Impairment of long-lived assets

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

(f) Revenue recognition

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

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

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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

2. Summary of significant accounting policies - Continued

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Accounts and disclosures subject to estimates include amortization of tangible capital and intangible assets, accrued liabilities, revenue recognized for EHF's receivable and commitments for unprocessed product on hand. Management believes that estimates utilized in preparing the financial statements are prudent and reasonable, however, actual results could differ from those estimates.

(h) Foreign exchange

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

3. 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 8(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>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 451,786	\$ 412,888
Funds advanced during the year	-	94,920
Loans forgiven during the year	<u>(56,021)</u>	<u>(56,022)</u>
Balance - end of year	<u>\$ 395,765</u>	<u>\$ 451,786</u>

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

4. Term deposits

As at 31 December 2019, the Association held term deposits totalling \$14,545,880 (2018 - \$14,252,670) with maturity dates ranging from 18 August 2020 to 18 July 2021 and bearing interest at 1.75% to 3.15% per annum.

5. 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, \$1,966,556 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$799,325 at 31 December 2019, realized investment income and gain of \$1,167,561. In the prior year, \$701,443 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized loss of \$1,484,237 at 31 December 2018 and realized investment income and loss of \$782,794.

6. Tangible capital assets

	Cost	Accumulated Amortization	2019 Net	2018 Net
Land	\$ 3,403,983	\$ -	\$ 3,403,983	\$ 3,403,983
Building	5,900,290	700,111	5,200,179	5,436,190
Depot equipment	2,257,467	1,929,544	327,923	340,586
Office equipment	5,551	4,163	1,388	4,163
Leasehold improvements	17,547	17,069	478	1,434
	\$ 11,584,838	\$ 2,650,887	\$ 8,933,951	\$ 9,186,356

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 \$425,259 (2018 - \$425,078) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

7. Intangible assets

	Cost	Accumulated Amortization	2019 Net	2018 Net
ERP Software	\$ 754,986	\$ 691,517	\$ 63,469	\$ 213,495
Quebec RecycFluo Program	50,000	-	50,000	50,000
	\$ 804,986	\$ 691,517	\$ 113,469	\$ 263,495

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 2019 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$150,026 (2018 - \$150,997) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

8. Commitments

- (a) The Association has a lease agreement for the Vancouver office building which expires on 31 January 2021.

The Association has a lease agreement for the Quebec office suite which expires on 31 May 2021.

The Association has a lease agreement for the Ontario office which expires on 29 Feb 2024.

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

2020	\$ 295,016
2021	88,888
2022	52,900
2023	52,900
2024	<u>8,817</u>
	<u>\$ 498,521</u>

- (b) In previous years, the Association's board of directors had passed resolutions to make funds of up to \$1,435,000 available which can be used for the development of collection facilities for certain ongoing programs. These funds are to be disbursed at the discretion of the Association based on an application process from qualifying organizations. As of 31 December 2019, \$563,332 of loans have been disbursed from the pool of available funds (Note 3) and \$167,567 of loans have been forgiven. In the current year, the Association's board of directors passed a resolution to make additional funds of up to \$800,000 available for the development of collection facilities for a future provincial program where the program commencement date has not been determined.
- (c) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$760,538 (2018 - \$1,101,617) which will be incurred during 2020.
- (d) During the year, the Association entered into an agreement to purchase a strata lot that will be used as the Association's future office space for total consideration of \$5,655,091. The strata lot is under construction with the estimated completion date falling between 1 September 2020 and 31 January 2021. Deposits paid to 31 December 2019 totalled \$1,696,527 and have been recorded as prepaid expenses. The balance of the purchase price, \$3,958,564, is due on the completion date subject to the terms and conditions of the purchase agreement.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

9. 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 2019.

(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 3). 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 5). 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 2019, cash and accounts receivable of \$344,593 USD and \$47,881 USD (2018 - \$217,748 USD and \$88,600 USD) respectively and accounts payable and accrued liabilities of \$10,698 USD (2018 - \$35,890 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 2019

9. 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.

10. 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 2019 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 2019

10. Controlled organization - Continued

PCA PSI

	31 December 2019	31 December 2018
	(unaudited)	
Financial Position		
Total assets	\$ 1,649,413	\$ 1,260,856
Total liabilities	203,322	231,770
Total net assets	1,446,091	1,029,086
	\$ 1,649,413	\$ 1,260,856
	31 December 2019	31 December 2018
	(unaudited)	
Results of Operations		
Total revenue	\$ 2,044,755	\$ 1,965,708
Total expenses	1,583,974	1,440,115
Excess of revenues over expenses	\$ 460,781	\$ 525,593
	31 December 2019	31 December 2018
	(unaudited)	
Cash Flows		
Cash provided by operating activities	\$ 446,699	\$ 525,632
Cash used by investing activities	-	-

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2019

11. Related party transactions

The Association is related to PCA PSI (Note 10). The following summarizes the related party balances and transactions for the year.

Included in accounts receivable is \$12,422 (2018 - \$13,785) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2020 fiscal year.

Included in revenues is \$107,155 (2018 - \$101,993) 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.

12. Contingencies

From the 2015 to the 2018 fiscal years, the Association accrued estimated penalties of \$1,927,662 as pursuant to the Regulation regarding the recycling and recovery of products by businesses. On 4 November 2019, the government of Quebec amended the Regulation and as such the penalties accumulated in previous years have been cancelled. Due to this, the Association has reversed the penalties previously accrued in the financial statements, which has been recorded as a reduction in operating expenses in the current year of \$1,927,662, and has not accrued any estimated penalties for the 2019 fiscal year.

The amended regulation has postponed the calculation of potential penalties related to material collection targets to the Association's 2020 and subsequent fiscal years.

13. Subsequent events

Subsequent to the year end, in January 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Association's primary source of revenue is derived from Environmental Handling Fees charged by its members on the sale of approved program products which are dependant on the members' ongoing business operations. Additionally, the Association's operating expenses are largely comprised of the costs of collection, transportation and processing of program products as these are returned to the Association for recycling and proper disposal. At the date of the independent auditors' report, the Association's management has been unable to determine the impact of the COVID-19 pandemic on future revenues, expenses and operations.