

PRODUCT CARE RECYCLING

2020 Annual Report



TABLE OF CONTENTS

| | |
|---|-----------|
| Board of Directors | 3 |
| Letter from the Chair | 4 |
| Letter from the President | 5 |
| About Us | 6 |
| Product Overview | 7 |
| 2020 Highlights | 10 |
| Programs | 11 |
| British Columbia Paint & HHW | 12 |
| British Columbia Lights | 14 |
| British Columbia Alarms | 16 |
| Saskatchewan Paint | 17 |
| Manitoba Paint, HHW, Lights | 18 |
| Ontario Paint | 21 |
| Ontario Pesticides, Solvents, Fertilizers (PSF) | 23 |
| Québec Recycfluo | 24 |
| Prince Edward Island Paint | 25 |
| Prince Edward Island Lights | 26 |
| New Brunswick Paint | 27 |
| Nova Scotia Paint | 28 |
| Newfoundland & Labrador Paint | 29 |
| Audited Financials | 30 |





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

Steve Veroba – 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

Stephen Wolinsky – Rust-Oleum Canada | Other Products



LETTER FROM THE CHAIR

Challenging and unprecedented. Those two words encapsulate 2020—not just for Product Care, but for the entire world. Last year also taught us great resilience. With so many businesses affected by the pandemic, we consider ourselves extremely fortunate to be part of an industry providing an essential service.

While it was not business as usual—especially in the first few months of the pandemic—for the most part, we were still able to provide our recycling services to residents in the nine provinces we serve. Through these challenging times, Product Care has continued to demonstrate leadership in special waste management, operating 16 programs throughout Canada and the US in four product categories: paint, household hazardous waste, lighting products, and smoke and carbon monoxide alarms.

The extended producer responsibility (EPR) landscape continues to change across Canada. Product will continue to engage with members and stakeholders in order to design and deliver effective and efficient

programs. Seeing how seamlessly the Product Care team adapted to the many unknowns associated with last year, I am certain we will embrace these new changes with the same grit and determination we have exhibited over the last 25 years. On that note, I would like to commend our employees for their impressive resolve and professionalism throughout a challenging year.

I am excited to continue working alongside our entire board of directors, dedicated employees, supportive members, and collaborative stakeholders, as we continue to position ourselves as an innovative leader in the product stewardship industry.

Regards,

Vince Rea,
Chair





LETTER FROM THE PRESIDENT

Last year was certainly “out of the ordinary” for Product Care, for our employees, members, and stakeholders, and for the world at large. In these challenging times we are thankful we were able to continue to provide recycling services across Canada for our four product categories: paint, household hazardous waste, lighting products, and smoke and carbon monoxide alarms.

While some collection sites closed temporarily in 2020 due to the pandemic, Product Care continued to operate all programs, often as an “essential service”. We very much appreciate the commitment and support of our collection sites and service providers during the very challenging pandemic period.

In 2020, our Manitoba lights recycling program expanded to include lighting products generated by the commercial sector. In Saskatchewan, Product Care was preparing for the implementation of the Saskatchewan household hazardous waste (HHW) program, launching April 2021, partnering with local governments to establish a series of free collection events across the province, while looking for opportunities to establish permanent collection sites.

With extensive experience managing HHW products in three other provinces, Product Care is well positioned to successfully manage this new program.

Product Care also continues to prepare for the transition to Ontario’s new Hazardous and Special Products (HSP) regulation scheduled for July 2021. Product Care will operate as a “PRO” (Producer Responsibility Organization) for paint and pesticides, solvents, and fertilizer (PSF) products in 2021, and then for lighting product in 2023.

All of this would not be possible without the resilience and support of our employees, board of directors, members, and stakeholders. Their unwavering dedication is the bedrock of Product Care Recycling’s 26-year long track record of being an industry leader in extended producer responsibility programs for hazardous and special waste.

Stay healthy!

Mark Kurschner,
President



About Us

VISION

Our vision is to establish Product Care Recycling 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 recycling locations 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 leftover paint is managed with the environment in mind, diverting it from Canada's landfills and waterways.

In 2020, Product Care recovered 10.3 million litres of paint – nearly enough to paint the Trans Canada Highway twice over (7821 km long, and 6.7m minimum width).

PAINTSHARE

Product Care's PaintShare program launched in British Columbia over a decade ago. Paint collected by the program is made available, free of charge, at more than 250 recycling locations in eight provinces. It can be used in homes and buildings, and by artists, theatre groups, anti-graffiti programs, and more.





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 recycling locations in participating provinces, as well as hundreds of one-day collection events.

The Saskatchewan HHW program launches in 2021.



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 a network of more than 1,300 recycling

locations in the four provinces, including municipal, private and retail sites. The programs also offers free pick-up service for large volumes of lights.

In 2020, Product Care diverted more than 9.5 million light bulbs from landfills – at a rate of one bulb per street light, that's enough to light up every street in Canada twice.

Continued on next page >>



LIGHTING PRODUCTS INCLUDED PER PROVINCE:

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

ALARMS

Started in October 2011, Product Care's British Columbia alarm recycling program accepts smoke and carbon monoxide alarms.

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

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

The program's 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 2020, the program diverted more than 100,000 alarms from British Columbia's landfills – over three times the height of Mount Robson, BC (3,954m) when stacked.

2020 Highlights

OVERVIEW



13 programs
9 provinces
4 product categories



661 members' environmental obligations fulfilled

LOCATIONS & QUANTITIES RECYCLED



+2200 recycling locations in Canada
471 one day collection events

Recycled in 2020:



10,300,000
litres of paint



9,500,000
light bulbs



101,000
alarms

PUBLIC EDUCATION & PROMOTION



+17.9M earned media impressions across Canada
+180% increase in earned media hits compared to 2019



+81M impressions from digital marketing



+290M impressions from television campaigns



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
- All paint aerosols
- Domestic pesticides
- Flammable liquids and aerosols
- Gasoline

Collection

| | |
|-------------------|------------------------------|
| 224 | Recycling locations |
| 9 | Collection events |
| 2,900,000L | Paint |
| 16,000L | Pesticides |
| 165,000L | Flammable liquids & gasoline |

Recovery Rate

| | |
|--------------|------------------------------|
| 8.9% | Paint |
| 5.7% | Pesticides |
| 10.5% | Flammable liquids & gasoline |

Consumer Awareness

78% (2020)

Finances

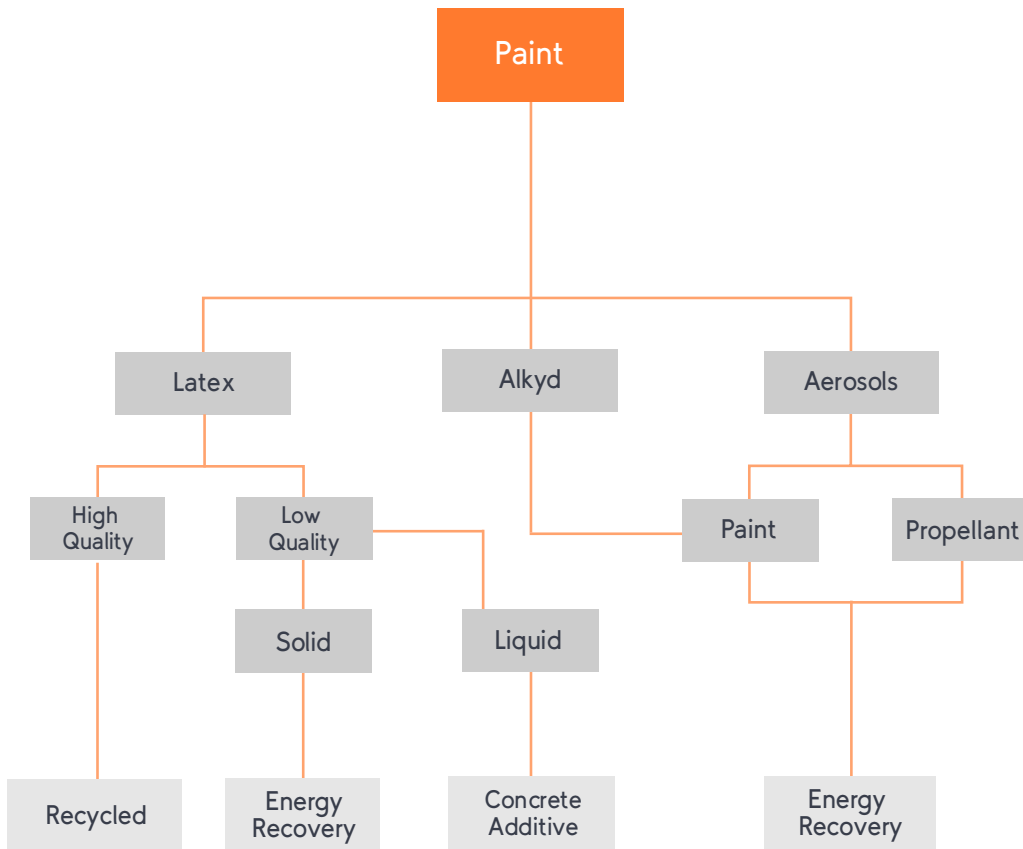
| | 2020 |
|---|--------------|
| Revenues | \$ 9,434,872 |
| Program Expenses | |
| Processing | 3,550,431 |
| Collection | 1,541,179 |
| Transport | 1,139,769 |
| Administration | 1,047,018 |
| Communication | 125,530 |
| Total Program Expenses | \$ 7,403,927 |
| Excess of Revenues over Expenses for the Year | \$ 2,030,945 |

Paint Residual Product Management Table

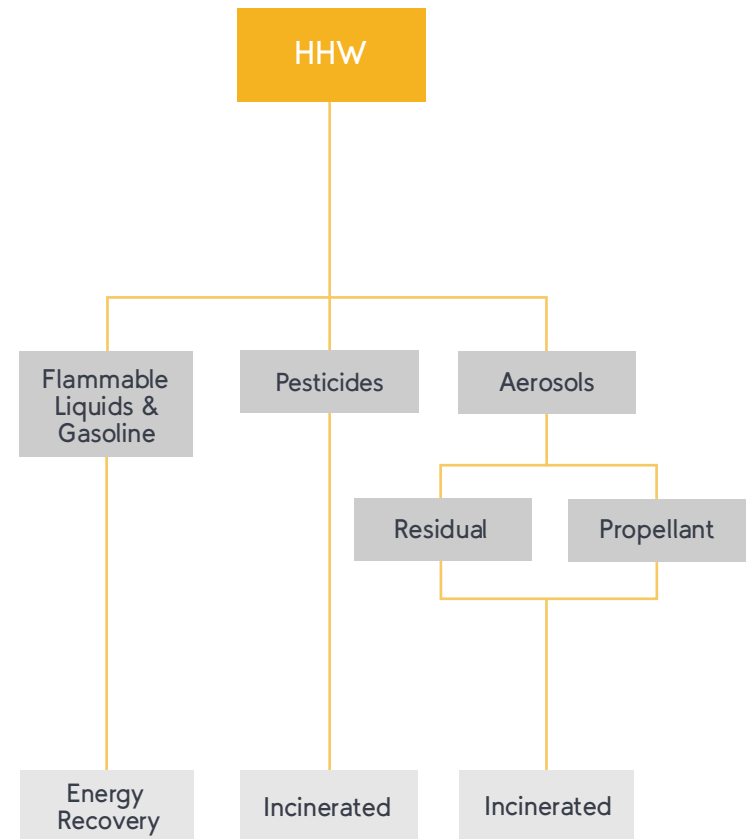
| | Reused | Recycled | Energy Recovery | Incinerated | Solidified & Landfilled |
|------------------------------|--------|--------------|-----------------|-------------|-------------------------|
| Latex Paint | - | 87.9% | 12.1% | - | - |
| Alkyd Paint | - | - | 100% | - | - |
| Flammable Liquids & Gasoline | - | - | 100% | - | - |
| Pesticides | - | - | - | 100% | - |

British Columbia Paint, Household Hazardous Waste

Paint Residual Product Management Flow Chart



HHW Residual Product Management Flow Chart



British Columbia Lights

Accepted Products

- All fluorescent, induction and UV tubes
- Compact fluorescent lights (CFLs)
- Light emitting diodes (LEDs)
- Incandescent lights
- High intensity discharge lights (HIDs)
- Halogen lights
- Miniature lights
- Fixtures and ballasts

Collection

| | |
|------------------|-----------------------------|
| 462 | Recycling locations |
| 5,791,000 | Units of lights |
| 14,000 | Kilograms PCB ballasts |
| 2,200 | Tonnes residential fixtures |

Consumer Awareness

79% (2020)

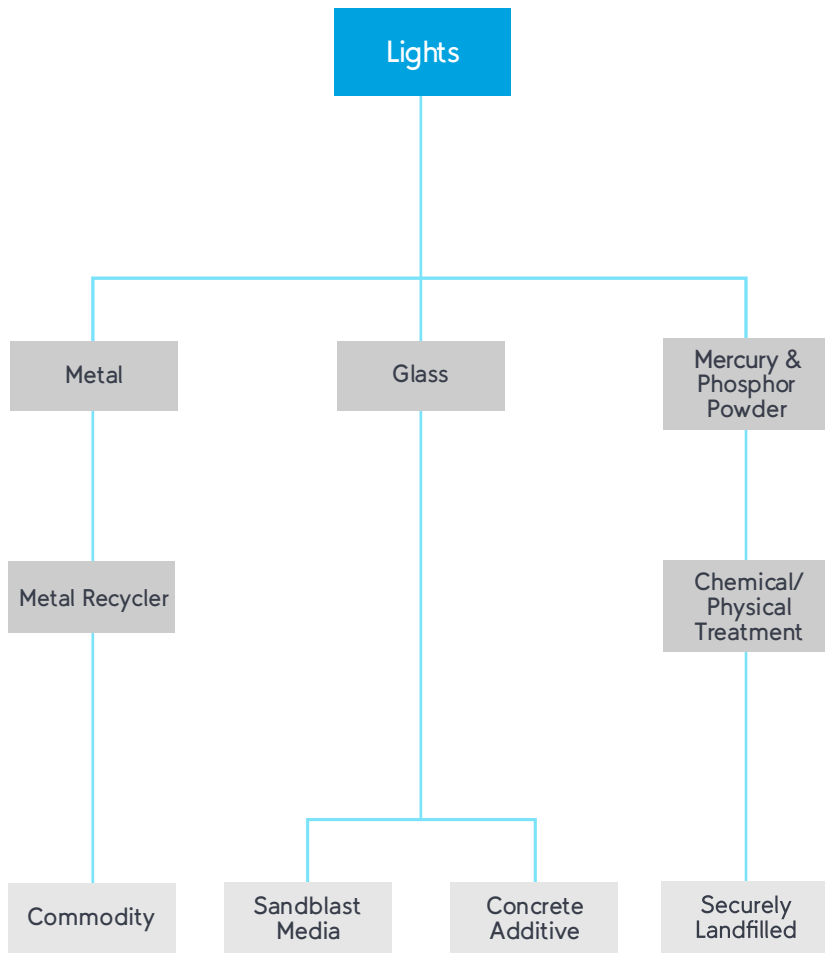
Finances

| | 2020 |
|---|--------------|
| Revenues | \$ 5,135,997 |
| Program Expenses | |
| Processing | 3,048,620 |
| Collection | 608,232 |
| Transport | 252,882 |
| Administration | 463,819 |
| Communication | 172,231 |
| Total Program Expenses | \$ 4,545,784 |
| Excess of Revenues over Expenses for the Year | \$ 590,213 |

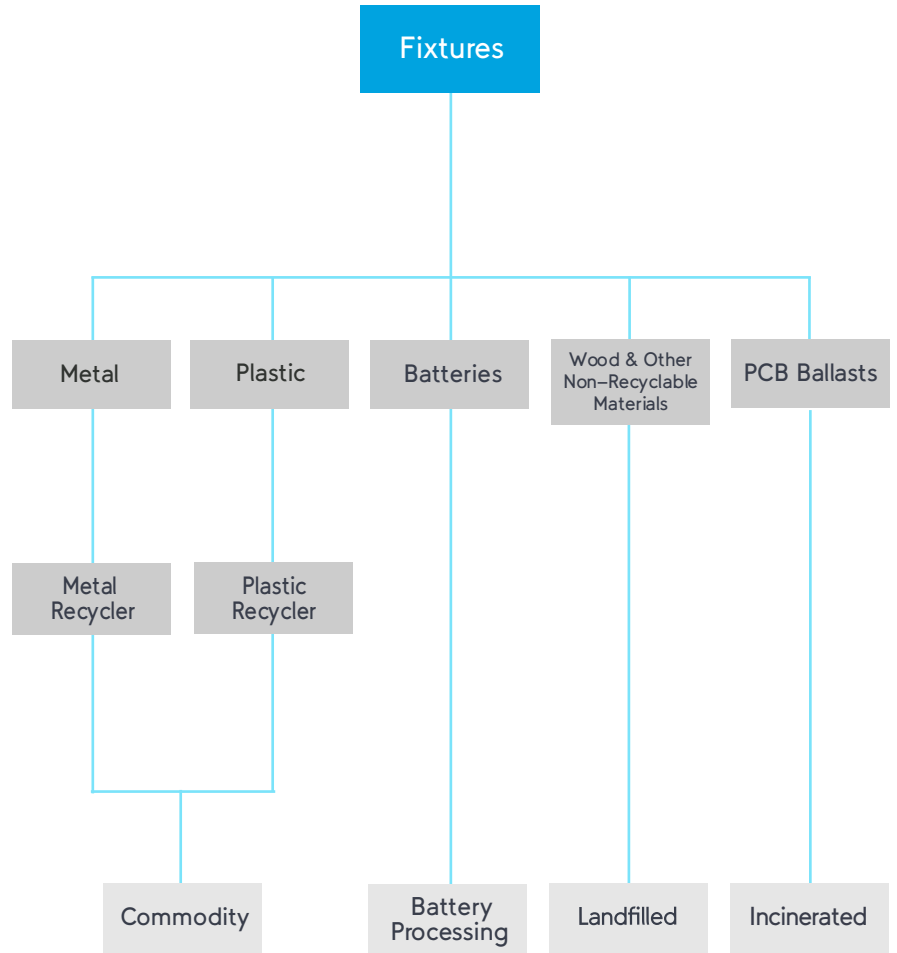


British Columbia Lights

Lights Product Management Flow Chart



Fixtures Product Management Flow Chart



British Columbia Alarms

Accepted Products

- Smoke alarms as defined by the CAN / ULC-S531 standard
- Carbon monoxide (CO) alarms as defined by the CAN/CSA 6.19 standard
- Combination smoke/CO alarms

Collection

217 Recycling locations
101,000 Units of alarms

Alarms Product Management Table

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

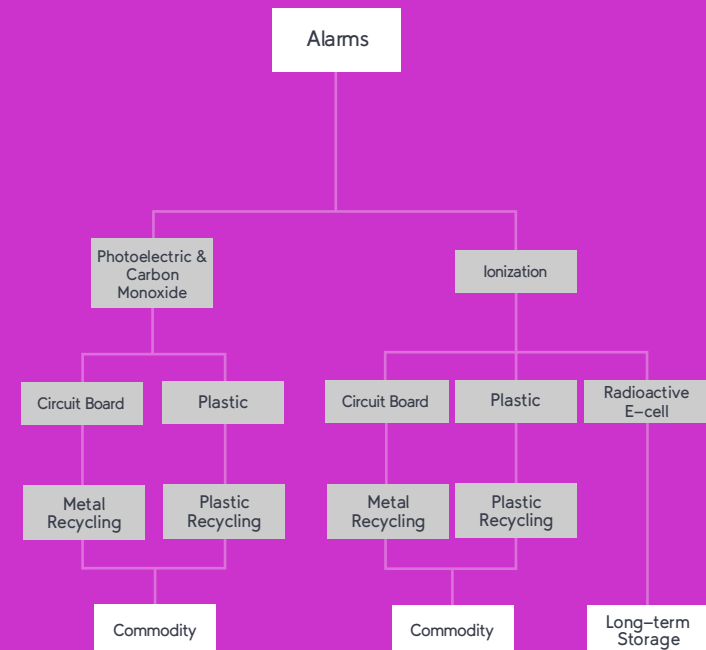
Consumer Awareness

52% (2020)

Finances

| | 2020 |
|---|------------|
| Revenues | \$ 715,801 |
| Program Expenses | |
| Processing | 203,534 |
| Collection | 71,079 |
| Transport | 35,952 |
| Administration | 38,185 |
| Communication | 69,131 |
| Total Program Expenses | \$ 417,881 |
| Excess of Revenues over Expenses for the Year | \$ 297,920 |

Alarms Product Management Flow Chart



Saskatchewan Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

86 Recycling locations
20 Collection events
295,000L Paint

Paint Product Management

4.0% Reused
59.5% Recycled
34.7% Energy recovery
0.1% Incinerated
1.7% Solidified & landfilled

Recovery Rate

5.5%

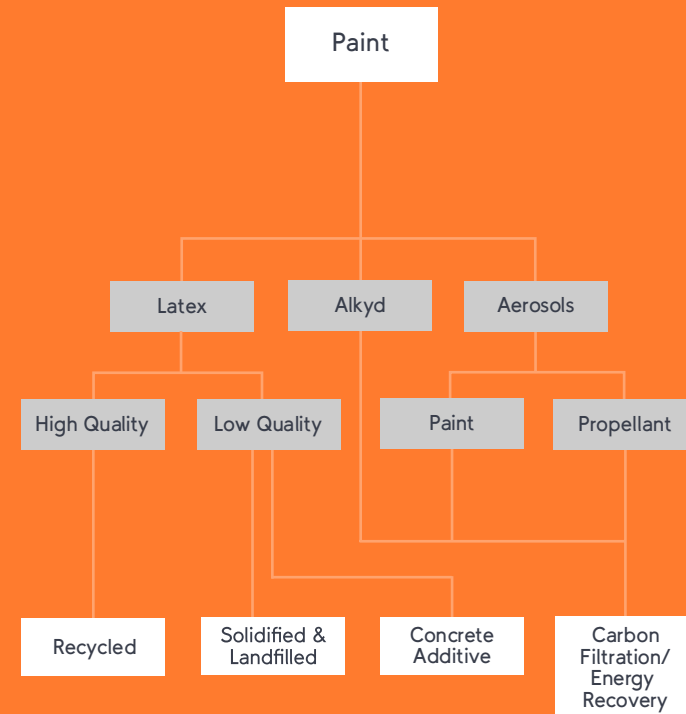
Consumer Awareness

81% (2020)

Finances

| | 2020 |
|---|--------------|
| Revenues | \$ 1,298,018 |
| Program Expenses | |
| Processing | 383,352 |
| Collection, Transport | 252,759 |
| Administration | 64,157 |
| Communication | 48,244 |
| Total Program Expenses | \$ 748,512 |
| Excess of Revenues over Expenses for the Year | \$ 549,506 |

Paint Residual Product Management Flow Chart



Manitoba Paint, Household Hazardous Waste, Lights

Accepted Products

- Architectural paints and coatings
- All paint aerosols
- Corrosives
- Toxics
- Physically hazardous materials
- Domestic pesticides
- Fluorescent and compact fluorescent lights (residential only)

Collection

| | |
|-----------------|---------------------------------------|
| 119 | Recycling locations |
| 12 | Collection events |
| 437,000L | Paint |
| 11,000L | Toxics, including pesticides |
| 13,000L | Corrosives |
| 89,000L | Flammable liquids & gasoline |
| 12,000 | Units of physically hazardous product |
| 238,000 | Units of lights |

Recovery Rate

| | |
|--------------|-------------------------------|
| 6.0% | Paint |
| 4.4% | Toxics, including pesticides |
| 8.7% | Corrosives |
| 12.5% | Flammable liquids & gasoline |
| 5.3% | Physically hazardous products |

Consumer Awareness

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

Finances

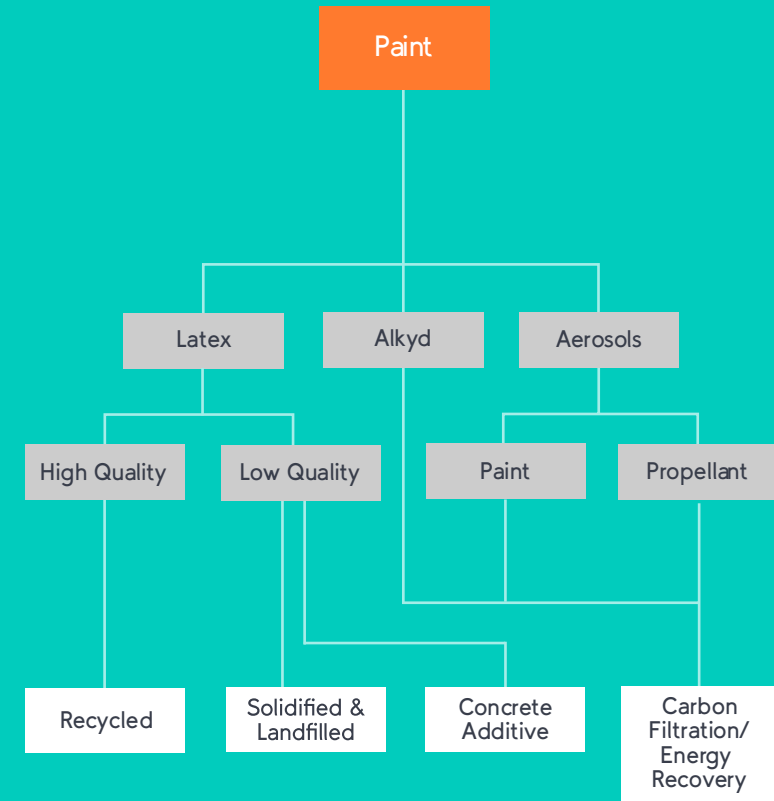
| | 2020 |
|---|--------------|
| Revenues | \$ 1,827,079 |
| Program Expenses | |
| Processing | 948,926 |
| Collection | 475,393 |
| Transport | 389,188 |
| Administration | 301,661 |
| Communication | 89,909 |
| Total Program Expenses | \$ 2,205,222 |
| Deficiency of Revenues over Expenses for the Year | \$ (377,998) |

Manitoba Paint, Household Hazardous Waste, Lights

Paint & HHW Product Management Table

| | Reused | Recycled | Energy Recovery | Incinerated | Chemically/ Physically Treated & Landfilled |
|------------------------------|--------|----------|-----------------|-------------|---|
| Latex Paint | - | 52.2% | - | - | 47.8% |
| Alkyd Paint | - | - | 100% | - | - |
| Flammable Liquids & Gasoline | - | - | 100% | - | - |
| Pesticides | - | - | - | 100% | - |
| Corrosives | - | - | - | - | 100% |
| Toxics | - | - | 100% | - | - |
| Physically Hazardous | - | - | 100% | - | - |

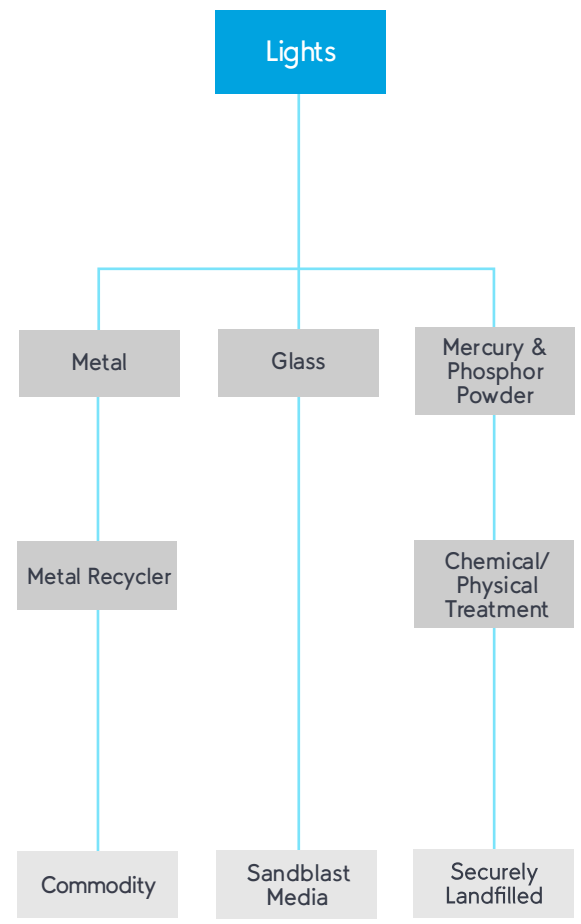
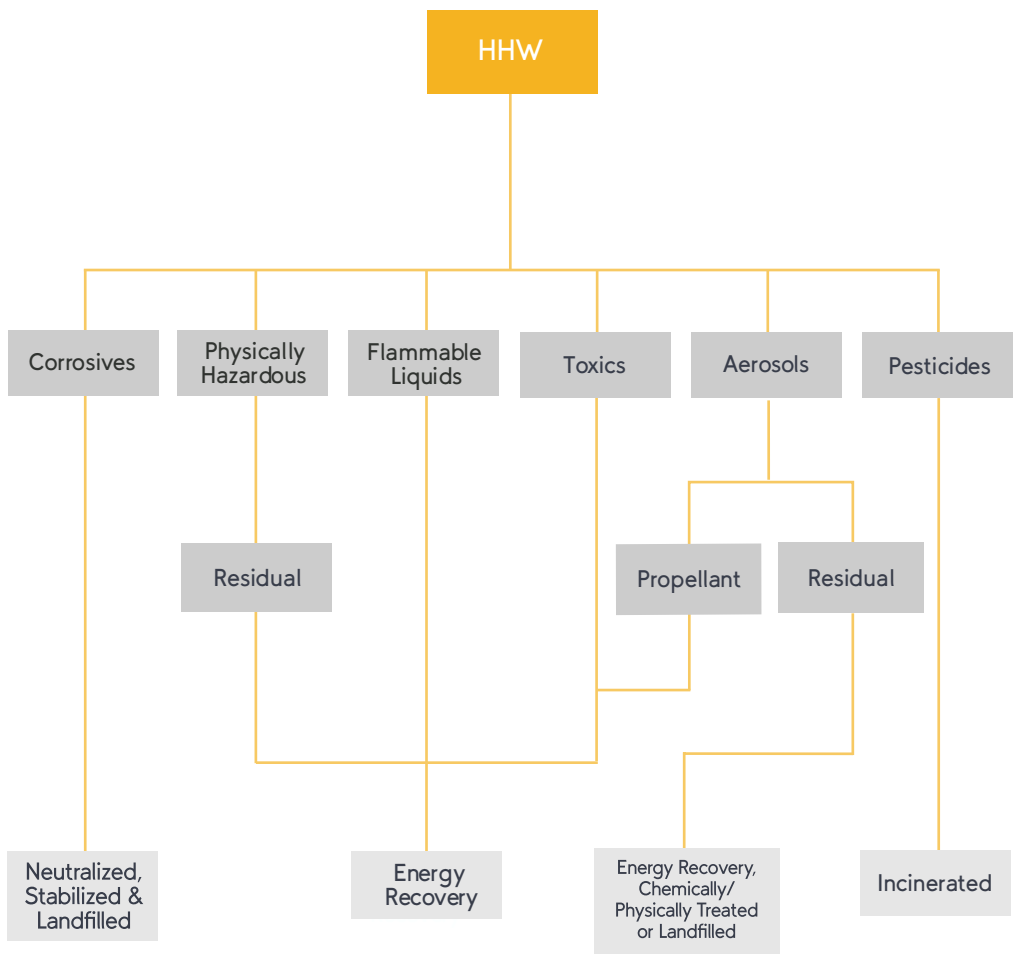
Paint Residual Product Management Flow Chart



Manitoba Paint, Household Hazardous Waste, Lights

HHW Residual Product Management Flow Chart

Lights Product Management Flow Chart



Ontario Paint



Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

420 Recycling locations
182 Collection events
9,571t Paint

Recovery Rate

9.7% Paint

Paint Product Management Table

| | Reused | Recycled | Energy Recovery | Solidified & Land-filled |
|-------------|--------|----------|-----------------|--------------------------|
| Latex Paint | 0.3% | 68% | 16.5% | 15% |
| Alkyd Paint | – | 97% | 3% | – |
| Aerosols | – | 47% | 53% | – |

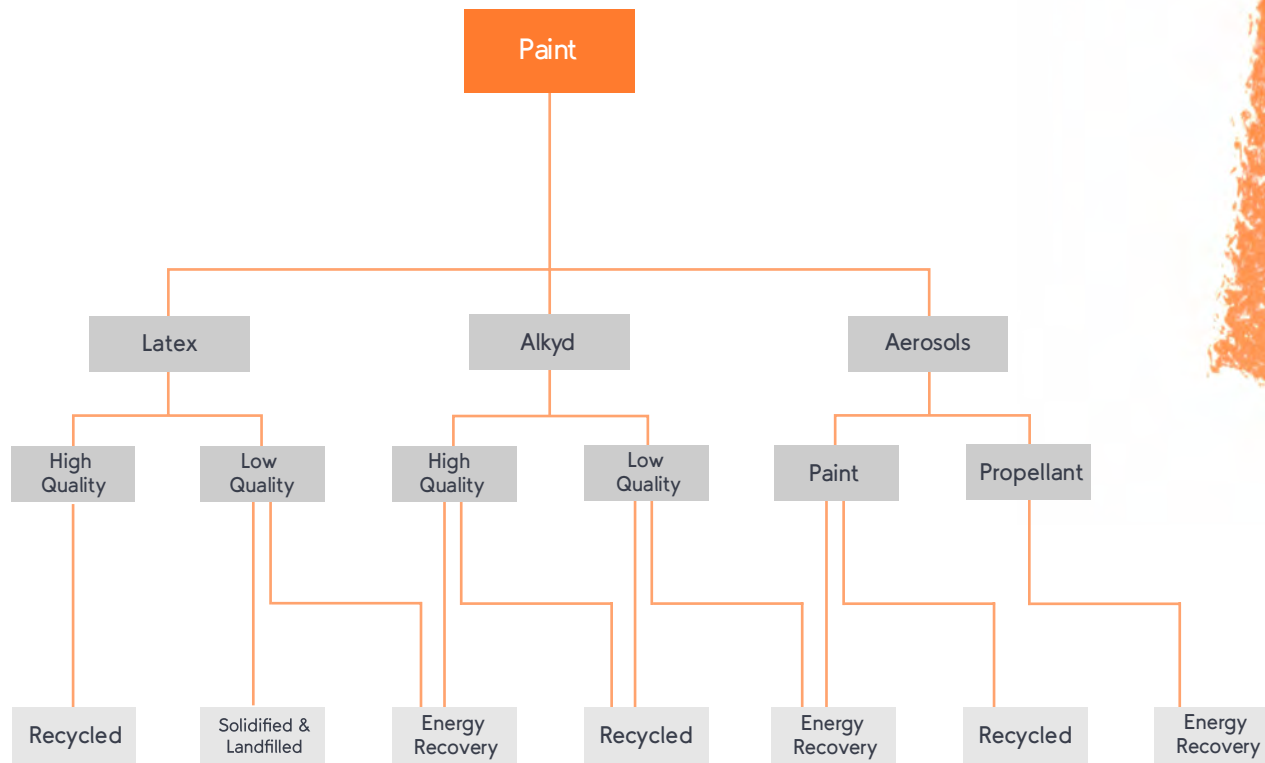
Finances

2020

| | |
|---|---------------|
| Revenues | \$ 18,634,775 |
| Program Expenses | |
| Processing | 6,243,351 |
| Collection | 5,597,928 |
| Transport | 1,881,780 |
| Administration | 1,399,441 |
| Communication | 51,227 |
| Regulatory | 304,712 |
| Total Program Expenses | \$ 15,478,439 |
| Excess of Revenues over Expenses for the Year | \$ 3,156,336 |

Financials include paint, pesticides, solvents and fertilizers.

Paint Residual Product Management Flow



Ontario Pesticides, Solvents, Fertilizers

Accepted Products

- Domestic pesticides
- Solvents - liquids that dissolve or thin a compatible substance
- Fertilizers - Packaged products regulated under the Fertilizers Act [Canada]

Collection

- 99** Recycling locations
- 182** Collection events
- 178t** Pesticides
- 188t** Solvents
- 9t** Fertilizers

Recovery Rate

4.3%

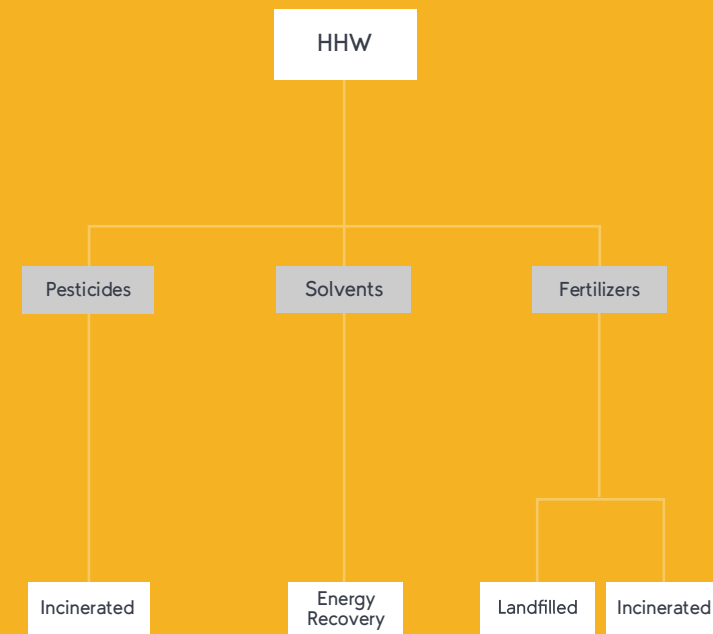
PSF Product Management Table

| | Recycled | Energy Recovery | Incinerated | Solidified & Landfilled |
|-------------|----------|-----------------|-------------|-------------------------|
| Pesticides | - | - | 100% | - |
| Solvents | - | 100% | - | - |
| Fertilizers | - | - | 30% | 70% |

Finances

Financials for the Ontario Paint program include pesticides, solvents, and fertilizers (see table on page 21).

PSF Residual Product Management Flow Chart



Québec RecycFluo

Accepted Products

- All mercury-containing lights
- All fluorescent, induction and UV tubes
- Compact fluorescent lights (CFLs)
- High intensity discharge lights (HIDs)

Collection

876 Recycling locations
8 Collection events
3,410,000 Units of lights

Recovery Rate

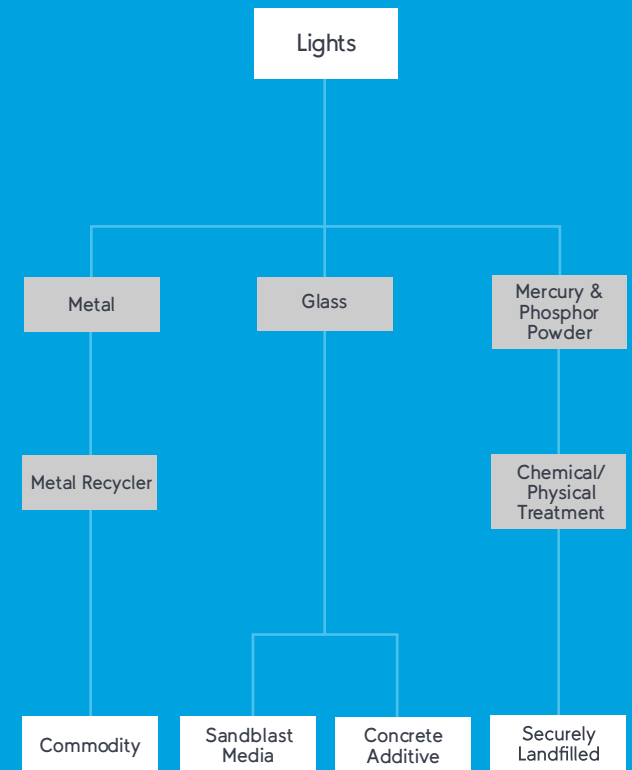
46% Fluorescent tubes
34% HIDs
7% CFLs

Finances

2020

| | |
|---|--------------|
| Revenues | \$ 2,799,720 |
| Program Expenses | |
| Processing | 1,351,372 |
| Collection | 338,278 |
| Transport | 694,707 |
| Administration | 394,783 |
| Communication | 180,643 |
| Regulatory | 400,017 |
| Total Program Expenses | \$ 3,359,800 |
| Deficiency of Revenues over Expenses for the Year | \$ (560,080) |

Lights Product Management Flow Chart



Prince Edward Island Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

7 Recycling locations
85,000L Paint

Paint Product Management

69.1% Recycled
6.4% Energy recovery
24.5% Solidified & landfilled

Recovery Rate

7.2%

Consumer Awareness

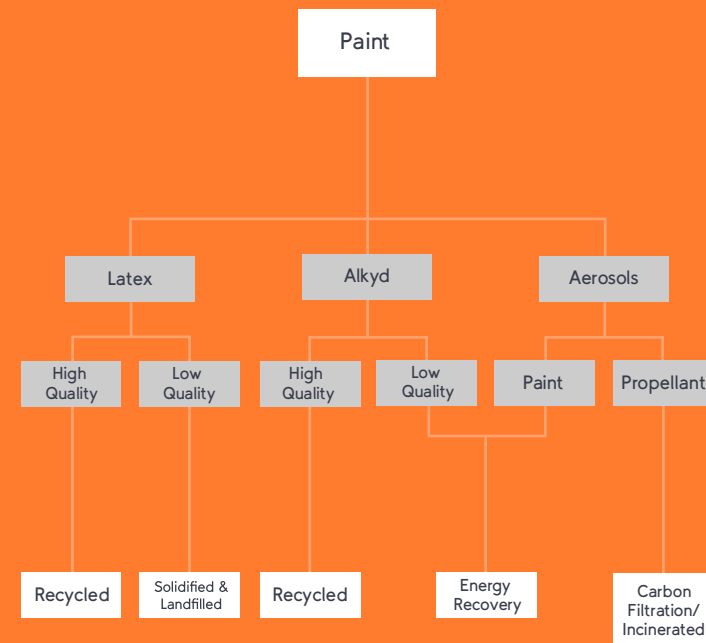
72% (2019)

Finances

2020

| | |
|---|------------|
| Revenues | \$ 525,290 |
| Program Expenses | |
| Processing | 217,969 |
| Collection | 31,895 |
| Transport | 75,432 |
| Administration | 20,754 |
| Communication | 12,531 |
| Regulatory | 10,275 |
| Total Program Expenses | \$ 368,855 |
| Excess of Revenues over Expenses for the Year | \$ 156,434 |

Paint Residual Product Management Flow Chart



Prince Edward Island Lights

Accepted Products

- All fluorescent, induction and UV tubes
- Compact fluorescent lights (CFLs)
- Light emitting diodes (LEDs)
- Incandescent lights
- High intensity discharge lights (HIDs)
- Halogen lights
- Miniature lights

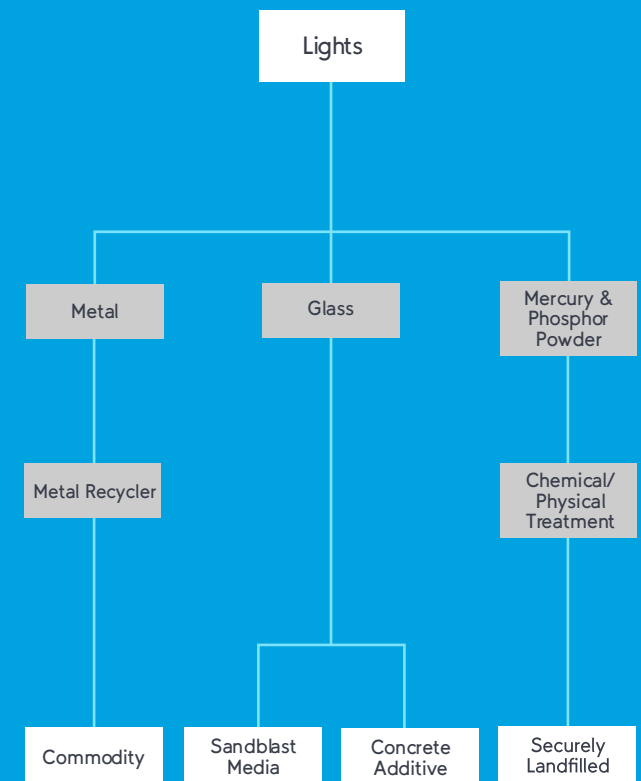
Collection

7 Recycling locations
70,000 Units of lights

Finances

| | 2020 |
|---|-------------|
| Revenues | \$ 82,346 |
| Program Expenses | |
| Processing | 22,279 |
| Collection | 3,203 |
| Transport | 10,815 |
| Administration | 5,460 |
| Communication | 2,092 |
| Regulatory | 5,000 |
| Total Program Expenses | \$ 48,849 |
| Excess of Revenues over Expenses for the Year | \$ 33,497 |

Lights Product Management Flow Chart



New Brunswick Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

64 Recycling locations
43 Collection events
322,000L Paint

Paint Product Management*

0.2% Reused
76.7% Recycled
17.0% Energy recovery
6.3% Solidified & landfilled

*Note: Values do not total 100% due to rounding

Recovery Rate

6.0%

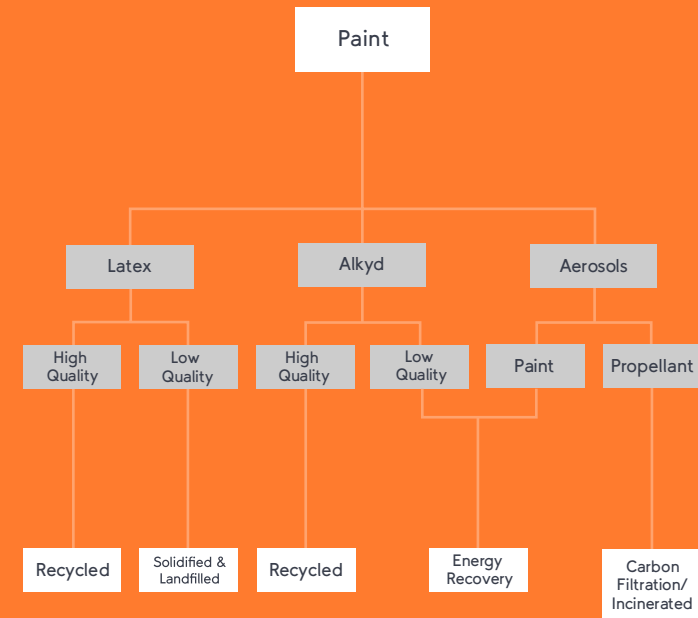
Consumer Awareness

79% (2019)

Finances

| | 2020 |
|---|--------------|
| Revenues | \$ 1,396,144 |
| Program Expenses | |
| Processing | 580,823 |
| Collection | 122,522 |
| Transport | 160,259 |
| Administration | 107,245 |
| Communication | 39,051 |
| Regulatory | 80,000 |
| Total Program Expenses | \$ 1,089,909 |
| Excess of Revenues over Expenses for the Year | \$ 306,235 |

Paint Residual Product Management Flow Chart



Nova Scotia Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

94 Recycling locations
480,000L Paint

Paint Product Management

- 0.2%** Reused
- 74.7%** Recycled
- 7.7%** Energy recovery
- 17.4%** Solidified & landfilled

Recovery Rate

7.4%

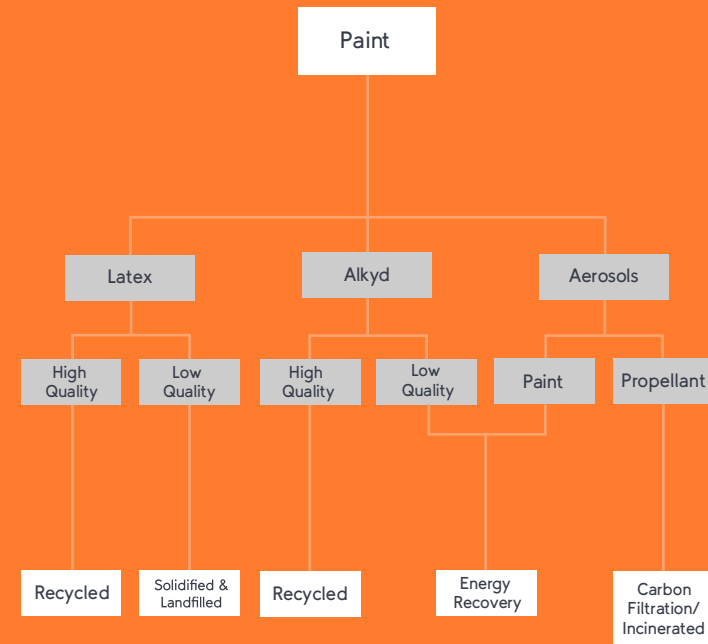
Consumer Awareness

79% (2019)

Finances

| | 2020 |
|---|--------------|
| Revenues | \$ 1,593,454 |
| Program Expenses | |
| Processing | 799,323 |
| Collection | 164,955 |
| Transport | 116,038 |
| Administration | 170,074 |
| Communication | 25,207 |
| Total Program Expenses | \$ 1,275,597 |
| Excess of Revenues over Expenses for the Year | \$ 317,857 |

Paint Residual Product Management Flow Chart



Newfoundland & Labrador Paint



Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

57 Recycling locations
7 Collection events
138,000L Paint

Paint Product Management*

1.1% Reused
70.9% Recycled
10.2% Energy recovery
17.8% Solidified & landfilled

Recovery Rate

3.5%

Consumer Awareness

66% (2019)

Finances

| | 2020 |
|---|-------------|
| Revenues | \$ 765,237 |
| Program Expenses | |
| Processing | 185,698 |
| Collection | 61,614 |
| Transport | 228,616 |
| Administration | 51,221 |
| Communication | 58,999 |
| Regulatory | 30,208 |
| Total Program Expenses | \$ 616,356 |
| Excess of Revenues over Expenses for the Year | \$ 148,881 |

Paint Residual Product Management Flow Chart



PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2020

PRODUCT CARE ASSOCIATION OF CANADA
Financial Statements

For the year ended 31 December 2020

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 - 20 |

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 2020, 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 2020, 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
14 April 2021

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2020

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 12,841,414 | \$ 17,145,675 |
| Term deposit (Note 5(a)) | 11,000,000 | - |
| Restricted cash (Note 3) | 2,381,724 | - |
| Accounts receivable | 3,675,865 | 3,115,474 |
| Prepaid expenses and deposits (Note 11(d)) | 1,932,445 | 1,906,291 |
| | 31,831,448 | 22,167,440 |
| Forgivable loans (Note 4) | 338,885 | 395,765 |
| Term deposits (Note 5(b)) | 14,919,661 | 14,545,880 |
| Reserve - at market value (Note 6) | 17,097,440 | 15,896,183 |
| Tangible capital assets (Note 7) | 8,719,010 | 8,933,951 |
| Intangible assets (Note 8) | 60,248 | 113,469 |
| | 72,966,692 | 62,052,688 |

Liabilities

| | | |
|---|------------------|------------------|
| Current | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 5,883,501 | \$ 5,008,903 |
| Ontario fee reduction payable (Note 12) | 1,616,224 | - |
| | 7,499,725 | 5,008,903 |

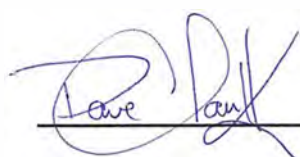
Commitments (Note 11)
Contingencies (Note 10)

Members' Equity

| | | |
|---|-------------------|-------------------|
| Unrestricted | 38,824,769 | 32,100,182 |
| Invested in tangible capital and intangible assets | 8,779,258 | 9,047,420 |
| Reserve - internally restricted (Note 6) | 17,097,440 | 15,896,183 |
| Ontario fee reduction reserve (Note 10(b)) | 765,500 | - |
| | 65,466,967 | 57,043,785 |
| | 72,966,692 | 62,052,688 |

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 2020

| | Unrestricted | Invested in Tangible Capital and Intangible Assets | Internally Restricted Reserve | Ontario Fee Reduction Reserve | Total 2020 | Total 2019 |
|--|----------------------|--|-------------------------------------|-------------------------------------|----------------------|----------------------|
| Net assets - beginning of year | \$ 32,100,182 | \$ 9,047,420 | \$ 15,896,183 | - | \$ 57,043,785 | \$ 51,601,317 |
| Excess (deficiency) of revenues over expenses for the year | 8,908,104 | (484,922) | - | - | 8,423,182 | 5,442,468 |
| Transfer to invested in tangible capital and intangible assets, net | (216,760) | 216,760 | - | - | - | - |
| Transfer to reserve | (1,201,257) | - | 1,201,257 | - | - | - |
| Transfer to Ontario fee reduction reserve (Note 10(b)) | (765,500) | - | - | 765,500 | - | - |
| Net assets - end of year | \$ 38,824,769 | \$ 8,779,258 | \$ 17,097,440 | \$ 765,500 | \$ 65,466,967 | \$ 57,043,785 |

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 2020

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Revenues | \$ 45,552,306 | \$ 41,748,412 |
| Expenses | | |
| Operating | 35,445,685 | 35,298,468 |
| General and administration | 3,388,802 | 3,468,808 |
| General communications | 99,648 | 203,266 |
| | 38,934,135 | 38,970,542 |
| Excess of revenues over expenses from operations | 6,618,171 | 2,777,870 |
| Other income | | |
| Investment income | 808,097 | 1,162,903 |
| Interest income | 602,754 | 697,712 |
| Unrealized gain on investments | 390,934 | 799,325 |
| Gain on sale of marketable securities | 2,226 | 4,658 |
| Gain on sale of tangible capital assets | 1,000 | - |
| | 1,805,011 | 2,664,598 |
| Excess of revenues over expenses for the year | \$ 8,423,182 | \$ 5,442,468 |

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 2020

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Excess of revenues over expenses for the year | \$ 8,423,182 | \$ 5,442,468 |
| Items not involving cash | | |
| Market value adjustment to reserve | (390,934) | (799,325) |
| Amortization | 484,922 | 575,285 |
| Loans forgiven | 56,880 | 56,021 |
| Gain on sale of marketable securities | (2,226) | (4,658) |
| Gain on sale of tangible capital assets | (1,000) | - |
| | 8,570,824 | 5,269,791 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (560,391) | 231,574 |
| Prepaid expenses and deposits | (26,154) | (1,678,145) |
| Accounts payable and accrued liabilities | 874,598 | (1,836,108) |
| Ontario fee reduction payable | 1,616,224 | - |
| | 10,475,101 | 1,987,112 |
| Investing activities | | |
| Purchase of term deposits | (11,373,781) | (293,210) |
| Transfer to reserve | (808,097) | (1,162,573) |
| Purchase of capital assets - net | (215,760) | (172,854) |
| | (12,397,638) | (1,628,637) |
| Net increase (decrease) in cash | (1,922,537) | 358,475 |
| Cash - beginning of year | 17,145,675 | 16,787,200 |
| Cash - end of year | \$ 15,223,138 | \$ 17,145,675 |
| Cash and cash equivalents consists of: | | |
| Cash | \$ 2,318,718 | \$ 1,686,702 |
| Savings accounts | 10,522,696 | 15,458,973 |
| Restricted cash | 2,381,724 | - |
| | \$ 15,223,138 | \$ 17,145,675 |

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 2020

1. Nature of operations

On 7 May 2001, Product Care Association (the “Association”) was incorporated under the Canada Corporations Act. The new entity was the result of the amalgamation of PPC Paint and Product Care Association and Consumer Product Care Association. Effective 7 January 2015, the Association filed Articles of Continuance under the Canada Not-for-Profit Corporations Act and changed its name to Product Care Association of Canada. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The purpose of the Association is to design, implement, and operate product stewardship programs in Canada or elsewhere. Product stewardship programs are industry funded and managed programs which provide a collection system to consumers for unwanted products. The program then takes responsibility for the recycling and proper disposal of the waste products. Products accepted by the Association’s stewardship programs include: paint, pesticides, flammable liquids and other household hazardous waste, lighting products and smoke and carbon monoxide alarms. The Association operates product stewardship programs for some or all of these products in BC, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

2. Summary of significant accounting policies

The Association applies the Canadian accounting standards for not-for-profit organizations.

(a) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market and investments in other securities, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits, accounts receivable, and forgivable loans.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and Ontario Fee Reduction Payable.

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 2020

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 2020

2. Summary of significant accounting policies - Continued

(d) Intangible assets

Intangible assets are recorded at cost. The Association provides for amortization using the following methods at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate is as follows:

| | |
|--------------|---------|
| ERP software | 5 years |
|--------------|---------|

Intangible assets with an indefinite life are not amortized and are assessed annually for impairment.

(e) Impairment of long-lived assets

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

(f) Revenue recognition

Environmental Handling Fees (EHFs) are received from registered members within the provinces which participate in the Association's programs. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. 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 2020

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. Restricted cash

Restricted cash is comprised of the following amounts:

| | 2020 | 2019 |
|--|--------------|------|
| Ontario Fee Reduction Campaign (Note 12) | \$ 1,616,224 | \$ - |
| Ontario Fee Reduction Reserve (Note 10(b)) | 765,500 | - |
| | \$ 2,381,724 | \$ - |

4. Forgivable loans

The Association has advanced funds in the form of forgivable loans to various organizations for the development of collection facilities for specific programs (Note 11(b)). Providing that the collection facility commences operations and meets the various criteria in the collection site agreement, these funds and any related interest are forgiven at the rate of 10% or 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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

4. Forgivable loans - Continued

| | 2020 | 2019 |
|--------------------------------|------------|------------|
| Balance - beginning of year | \$ 395,765 | \$ 451,786 |
| Loans forgiven during the year | (56,880) | (56,021) |
| Balance - end of year | \$ 338,885 | \$ 395,765 |

5. Term deposits

(a) Short-term

As at 31 December 2020, the Association held a term deposit of \$11,000,000 (2019 - \$Nil) with a maturity date of 10 August 2021 and bearing interest at 0.92% per annum which has been classified as a short-term asset.

(b) Long-term

As at 31 December 2020, the Association held term deposits totalling \$14,919,661 (2019 - \$14,545,880) with maturity dates ranging from 18 July 2021 to 28 November 2021 and bearing interest at 0.90% to 2.65% per annum which have been classified as long-term assets.

6. Reserve

The internally restricted 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, \$1,201,257 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$390,934 at 31 December 2020, realized investment income and gain of \$810,323. In the prior year, \$1,966,556 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized gain of \$799,325 at 31 December 2019 and realized investment income and gain of \$1,167,561.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

7. Tangible capital assets

| | Cost | Accumulated Amortization | 2020 Net | 2019 Net |
|------------------------|----------------------|-----------------------------|---------------------|---------------------|
| Land | \$ 3,403,983 | \$ - | \$ 3,403,983 | \$ 3,403,983 |
| Building | 5,900,290 | 936,123 | 4,964,167 | 5,200,179 |
| Equipment | 2,416,752 | 2,065,892 | 350,860 | 327,923 |
| Office equipment | 5,551 | 5,551 | - | 1,388 |
| Leasehold improvements | 17,547 | 17,547 | - | 478 |
| | \$ 11,744,123 | \$ 3,025,113 | \$ 8,719,010 | \$ 8,933,951 |

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 \$431,701 (2019 - \$425,259) of amortization expense.

8. Intangible assets

| | Cost | Accumulated Amortization | 2020 Net | 2019 Net |
|--------------------------|-------------------|-----------------------------|------------------|-------------------|
| ERP Software | \$ 754,986 | \$ 744,738 | \$ 10,248 | \$ 63,469 |
| Quebec RecycFluo Program | 50,000 | - | 50,000 | 50,000 |
| | \$ 804,986 | \$ 744,738 | \$ 60,248 | \$ 113,469 |

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 2020 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$53,221 (2019 - \$150,026) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

9. Accounts payable and accrued liabilities

| | 2020 | 2019 |
|--|--------------|--------------|
| Accounts payable and accrued liabilities | \$ 5,572,835 | \$ 4,827,595 |
| Government remittances payable | 310,666 | 181,308 |
| | \$ 5,883,501 | \$ 5,008,903 |

10. Contingencies

- (a) Effective for the 2020 fiscal year, pursuant to the Regulation regarding the recycling and recovery of products by businesses as amended on 4 November 2019, the Association is required to calculate and accrue certain penalties if material collection targets as defined by the regulation are not met. Included in operating expense are estimated penalties of \$402,091 (2019 - recovery of \$1,927,662), as a result of the program not meeting certain material collection targets in the fiscal year. These penalties are payable to the Quebec Green Fund five years after the year they are incurred and can be offset over the next five years if the program exceeds collection targets.
- (b) Pursuant to the Surplus Fund Transfer Addendum (Note 12), the Association established a restricted reserve fund of \$765,500 from the Association's existing assets excluding the surplus funds received as part of the Fee Reduction Campaign. The restricted reserve fund has been allocated to the categories of designated program materials as follows:

| | |
|--------------------|------------|
| Paint and Coatings | \$ 673,700 |
| Pesticides | 15,000 |
| Solvents | 61,700 |
| Fertilizers | 15,100 |
| | \$ 765,500 |

The purpose of the restricted reserve fund is to cover certain expenses which may be invoiced by Stewardship Ontario should there be a delay in transitioning the MHSW program to individual producer responsibility beyond 30 June 2021. In the event that there is insufficient funding in the restricted reserve fund to cover the expenses during a transitional delay, the Association is required to fund any expenses in excess of the restricted reserve fund from its own assets. At the date of the independent auditors' report, it is indeterminable whether there will be any delay in transitioning the MHSW program and if the Association will be required to fund any expenses, either up to, or in excess of, the amount of the restricted reserve fund.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

11. 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:

| | |
|------|-------------------|
| 2021 | \$ 89,644 |
| 2022 | 53,360 |
| 2023 | 53,360 |
| 2024 | <u>8,893</u> |
| | <u>\$ 205,257</u> |

- (b) In previous years, the Association's board of directors had passed resolutions to make funds up to \$2,235,000 available which can to be used for the development of collection facilities for certain ongoing programs. These funds are to be disbursed at the discretion of the Association based on an application process from qualifying organizations. As of 31 December 2020, \$563,332 of loans have been disbursed from the pool of available funds (Note 4) and \$224,447 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 \$100,000 available for the development of collection facilities for remote and indigenous communities in BC.
- (c) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$1,406,710 (2019 - \$760,538) which will be incurred during 2021.
- (d) During the 2019 fiscal 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 in April 2021. Deposits paid to 31 December 2020 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 2020

12. Ontario Fee Reduction Campaign

On 24 June 2020, the Resource Productivity and Recovery Authority (“RRPA”) approved the Surplus Fund Transfer Addendum which, among other matters, included a transfer of surplus funds from the previous Municipal Hazardous or Special Waste (“MHSW”) program to Stewards or members of the program. On 8 July 2020, the Association entered into an agreement with Stewardship Ontario (“SO”) to distribute surplus fund from the MHSW program to the members of the Ontario PaintRecycle Program and the Ontario Pesticides, Solvents and Fertilizers Program (the “Programs”). Under the agreement the Association received total surplus funds of \$16,366,500, of which \$14,586,000 was to be distributed to members of the Ontario PaintRecycle Program and \$1,780,500 was to be distrusted to members of the Ontario Pesticides, Solvents and Fertilizers Program before 30 June 2021. Under the agreement, eligible members of the Programs are entitled to receive a reduction of Environmental Handling Fees (“EHFs”) from the surplus funds that would have otherwise been payable by the members as they report EHF, in accordance with the fee reduction schedule as established and agreed by the Association and SO. As of 31 December 2020, \$801,158 of surplus funds made available to the Ontario PaintRecycle Program and \$815,066 related to the Ontario Pesticides, Solvents and Fertilizers Program, for a total of \$1,616,224, remain to be applied to future member fee reductions in 2021. The remaining amounts at 31 December 2020 are determined based on EHF reported by the members to 30 November 2020 in accordance with the Association’s revenue recognition policy (Note 2(f)).

13. 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 2020.

(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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

13. Financial instruments - Continued

(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 2020, cash and accounts receivable of \$531,115 USD and \$100,580 USD (2019 - \$344,593 USD and \$47,881 USD) respectively and accounts payable and accrued liabilities of \$20,035 USD (2019 - \$10,698 USD) has been converted into Canadian dollars. There has been no change to the risk exposure from the prior year.

(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.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

13. Financial instruments - Continued

(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.

14. 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 2020 and for the year then ended are based on the audited 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 2020

14. Controlled organization - Continued

PCA PSI

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------|-----------------------------|---------------------|
| | | (unaudited) |
| Financial Position | | |
| Total assets | \$ 1,976,432 | \$ 1,649,413 |
| Total liabilities | 79,347 | 203,322 |
| Total net assets | 1,897,085 | 1,446,091 |
| | \$ 1,976,432 | \$ 1,649,413 |
| | 31 December 2020 | 31 December 2019 |
| | | (unaudited) |
| Results of Operations | | |
| Total revenue | \$ 1,758,482 | \$ 2,044,755 |
| Total expenses | 1,253,263 | 1,583,974 |
| Excess of revenues over expenses | \$ 505,219 | \$ 460,781 |
| | 31 December 2020 | 31 December 2019 |
| | | (unaudited) |
| Cash Flows | | |
| Cash provided by operating activities | \$ 320,907 | \$ 446,699 |
| Cash used by investing activities | - | - |

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2020

15. Related party transactions

The Association is related to PCA PSI (Note 14). The following summarizes the related party balances and transactions for the year.

Included in accounts receivable is \$9,953 (2019 - \$12,422) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2021 fiscal year.

Included in revenues is \$110,622 (2019 - \$107,155) 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.

16. Impact of COVID-19

In March 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 to 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. During the year, the Association continued to receive revenue from Environmental Handling Fees as charged to its members. The Association did experience disruption in its collection and processing activities in certain provinces at various points during the year due to regional COVID-19 restrictions. 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.