



Annual Report 2021

productcare.org



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Board of Directors

Chair

Vincent Rea – PPG Canada Inc. | Paint

Vice Chair

Jeffrey Cattana – The Home Depot | Retail

Corporate Secretary

Jason Bernard – The Sherwin-Williams Company | Paint

David Chaulk – Cloverdale Paint | Paint

Wayne Edwards – Electro-Federation | Lighting & Alarms

Jules Foisy Lapointe – Lowe's Canada | Retail (to April 2021)

Jordane Ferron – Lowe's Canada | Retail (April to Dec 2021)

Dejan Lenasi – Signify Canada Ltd. | Lighting & Alarms

Darrin Noble – Cloverdale Paint | Other Products

Karen Stephenson – Scotts Canada | Other Products

Steve Veroba – Benjamin Moore & Co. | Paint

Stephen Wolinsky – Rust-Oleum Canada | Other Products



Letter from the Chair

For Product Care, 2021 represented a year of reflection, embracing the “new normal” and a return to historic patterns of program operations. Coming out of the first year of the pandemic, it was heartening to see the Product Care Board, staff and stakeholders work together to not only sustain, but also to continue to add and improve extended producer responsibility (“EPR”) programs.

I am also very proud of Product Care’s response to the floods and fires in British Columbia and the perseverance of the collectors in the communities impacted by these natural disasters. Through the efforts of our staff and collectors, in partnership with other stewardship agencies, Product Care was there to support the communities managing extraordinary amounts of waste materials resulting from the devastation.

This past year also marked the launch of Product Care’s Saskatchewan household hazardous waste program, bringing the total number of EPR programs managed by Product Care to 17. We also saw the expansion of our lighting program in Manitoba and the transitioning of our Ontario programs under the province’s new Hazardous and Special Products Regulation which came into effect on October 1, 2021 after a lengthy consultation process.

The past several years have demonstrated the resilience of Product Care’s programs to not only maintain, but also expand EPR programs for the populations we serve in the face of external challenges, and our commitment to meet the growing demand for EPR programs across Canada.

As always, we are grateful for the professionalism and collaboration of our members, employees, stakeholders, and the participation of the general public, so that our programs continued to operate responsibly despite the pandemic and the more local challenges in British Columbia. On behalf of the Product Care Board, we look back on the challenges and achievements of the pandemic period, and look forward to new opportunities to provide recycling solutions to Canadians for our products.

Wishing you continued good health,

Vince Rea,
Board Chair





Letter from the President

Last year saw the continued dedication of Product Care's employees, producer members and program partners to not only maintain essential recycling services to communities across Canada, but also to add and expand programs, in the face the extended pandemic period and significant local climate related emergencies.

Highlights of the past year include the successful launch of the Saskatchewan household hazardous waste program, the registration of Product Care as a Producer Responsibility Organization (PRO) in Ontario under the new Hazardous and Special Products (HSP) regulation, the expansion of the lighting products program in Manitoba, and the inclusion of empty paint containers in all eight Product Care paint recycling programs in Canada.

Product Care was particularly busy in Ontario in 2021 with the consultations on the HSP Regulation, the return to Producers of surplus funds which had been accumulated during the Municipal Hazardous and Special Waste ("MHSW"),

and the transition from "MHSW" to "HSP" on October 1, 2021 to be soon followed by the launch of EPR for lamps in Ontario in 2023.

Internationally, it was very rewarding to have the opportunity to partner with the community of Bulembu in Uganda and help support their building restoration efforts by donating 50,000 litres of recycled paint.

The dedication and commitment of Product Care's employees, board of directors, producer members and industry stakeholders is what enables Product Care to continue to successfully, efficiently and responsibly deliver 17 EPR programs in 2021 across Canada, with more on the horizon!

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

Starting in 1994 with the BC paint recycling program, Product Care now operates paint recycling programs in eight provinces: British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. Paint products can be dropped off at more than 1,250 permanent recycling locations comprised of municipal facilities, private recycling centres, bottle depots, retail locations, and not-for-profit recycling organizations, depending on the province. Collection service is enhanced by hundreds of one-day collection events, as well as direct pickup service for large volumes of leftover paint.

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. 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 2021, Product Care recovered 10.6 million litres of paint – the equivalent of more than 2.8 million one-gallon cans of paint.

Paintshare

Product Care's PaintShare initiative launched in British Columbia over a decade ago. Paint collected by the program is made available, free of charge, at more than 200 recycling locations in eight provinces. It can be used in homes and buildings, and by artists, theatre groups, antigrffiti programs, and more.



Household Hazardous Waste

Product Care began managing household hazardous waste (HHW) in British Columbia in 1998, and has since expanded into Saskatchewan, 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.

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 1,400 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 2021, Product Care diverted more than 11.3 million light bulbs from landfills – approximately 2 lightbulbs for every residence in Quebec, British Columbia, Manitoba and PEI where Product Care operates light recycling programs.



	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 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 2021, the BC Alarms program diverted more than 121,000 smoke and CO alarms from BC's landfills – laid side-by-side the equivalent of more than 28 CN towers!

2021 Highlights

Overview



14 programs
9 provinces
4 product categories



665 members' environmental obligations fulfilled

Locations & Quantities Recycled



+2400 recycling locations in Canada
458 one day collection events

Recycled in 2021:



10,600,000
litres of paint



11,300,000
light bulbs



121,000
alarms

Public Education & Promotion



+99M impressions from digital marketing campaigns



+295M 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 gasoline

Collection

223	Recycling locations
16	Collection events
3,022,000L	Paint
18,000L	Pesticides
177,000L	Flammable liquids & gasoline

Recovery Rate

9.0%	Paint
12.3%	Pesticides
6.2%	Flammable liquids

Consumer Awareness (2020)

78%

Finances (2021)

Revenues **\$9,545,384**

Program expenses

<i>Processing</i>	3,704,615
<i>Collection</i>	1,579,819
<i>Transport</i>	1,360,287
<i>Administration</i>	1,181,457
<i>Communication</i>	218,047

Total program expenses **\$8,044,225**

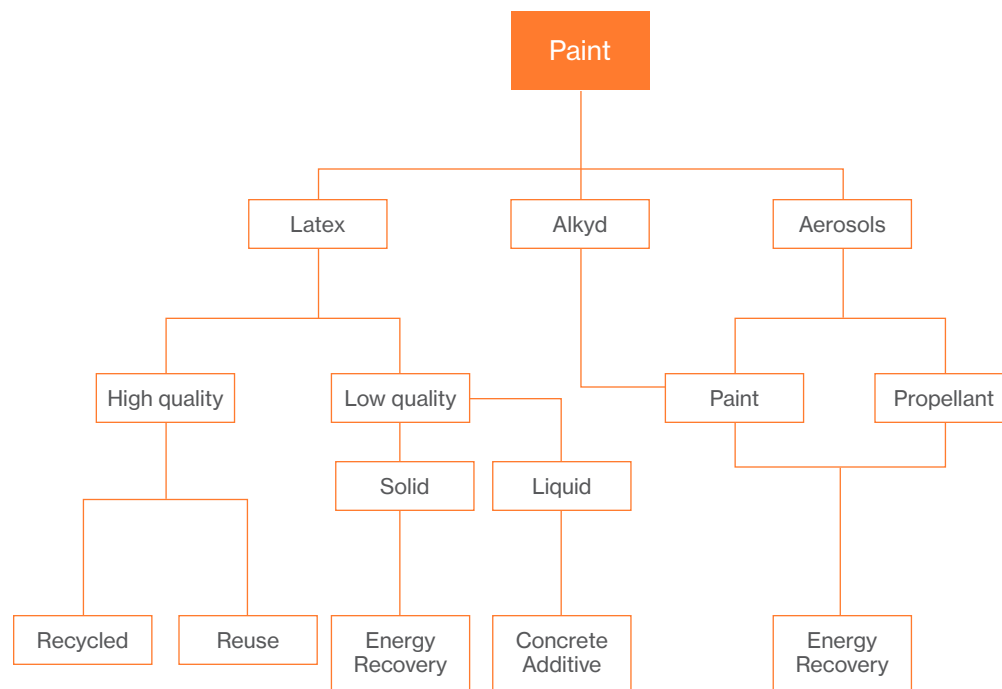
Excess of revenues over expenses for the year **\$1,501,159**

Paint Product Management

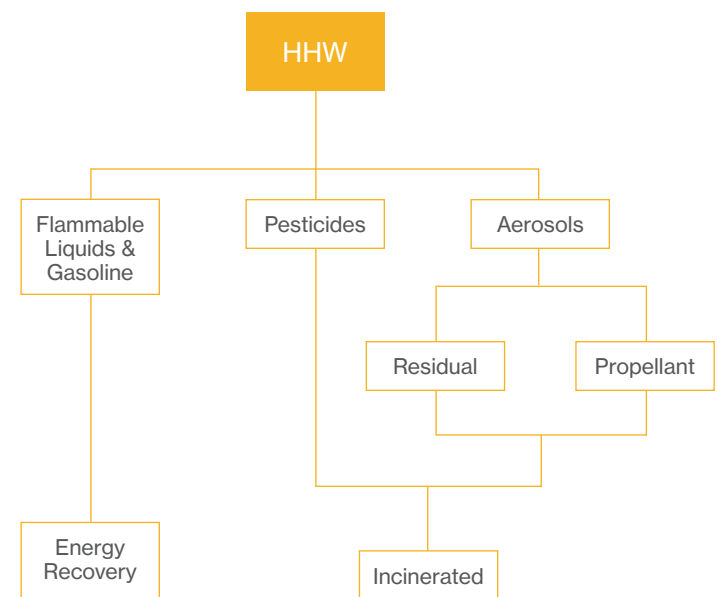
	Reused	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	-	86.4%	13.6%	-	-
Alkyd Paint	-	-	100%	-	-
Flammable Liquids & Gasoline	-	-	100%	-	-
Pesticides	-	-	-	100%	-

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

454	Recycling locations
18	Collection events
7,027,000	Lights (units)
1,100T	Residential fixtures
10,700KG	PCB Ballasts

Consumer Awareness (2020)

79%

Finances (2021)

Revenues	\$5,128,111
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Program expenses

<i>Processing</i>	3,480,797
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<i>Collection</i>	656,801
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<i>Transport</i>	260,116
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<i>Administration</i>	504,764
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<i>Communication</i>	201,312
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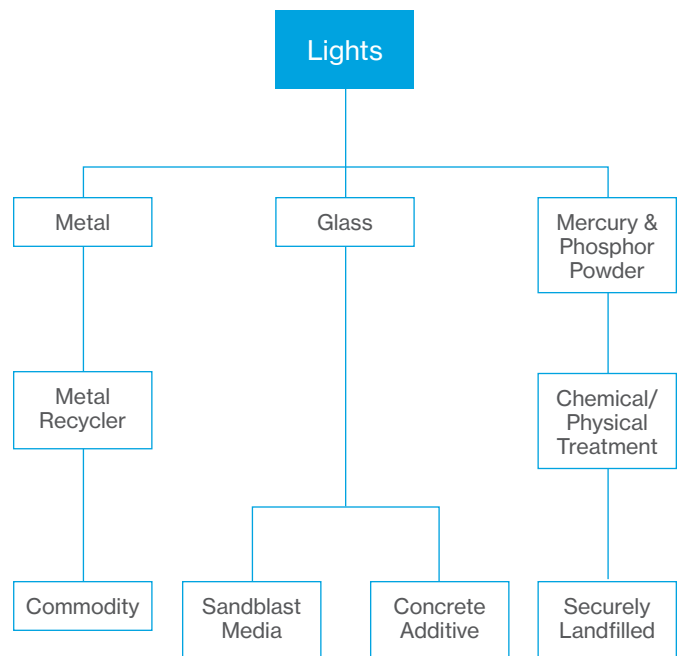
Total program expenses	\$5,103,790
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Excess of revenues over expenses for the year	\$24,321
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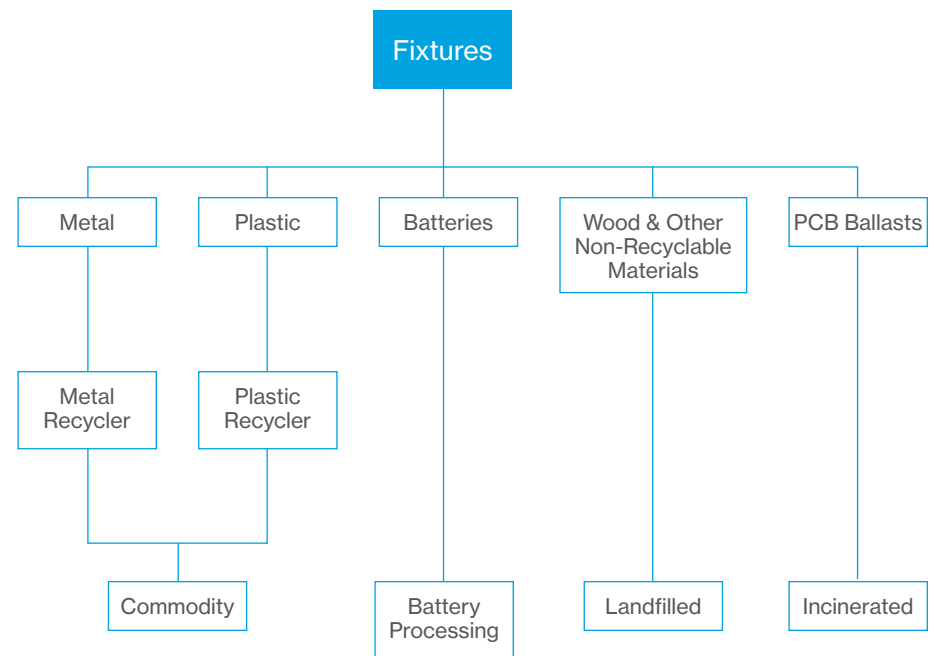


British Columbia Lights

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

218	Recycling locations
17	Collection events
120,980	Units of alarms

Alarms Product Management

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

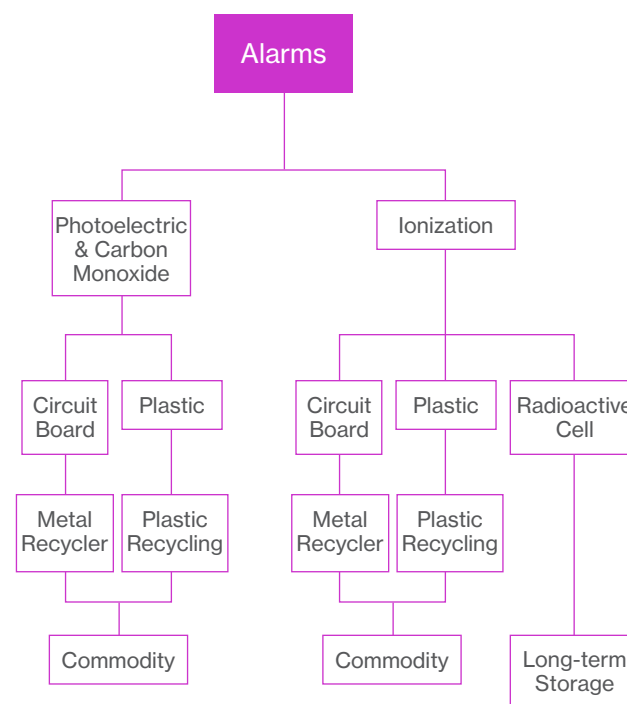
Consumer Awareness (2020)

52%

Finances (2021)

Revenues	\$736,290
Program expenses	
Processing	327,556
Collection	68,367
Transport	48,313
Administration	45,723
Communication	67,930
Total program expenses	\$557,889
Excess of revenues over expenses for the year	\$178,401

Alarms Product Management Flow Chart



Saskatchewan Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

88	Recycling locations
40	Collection events
376,000L	Paint

Recovery Rate

6.7%

Paint Product Management

-	Reused
66.5%	Recycled
30.9%	Energy recovery
0.3%	Incinerated
2.3%	Solidified & landfilled

Consumer Awareness (2021)

81%

Finances (2021)

Revenues **\$1,251,109**

Program expenses

Processing 505,280

Collection & Transport 298,372

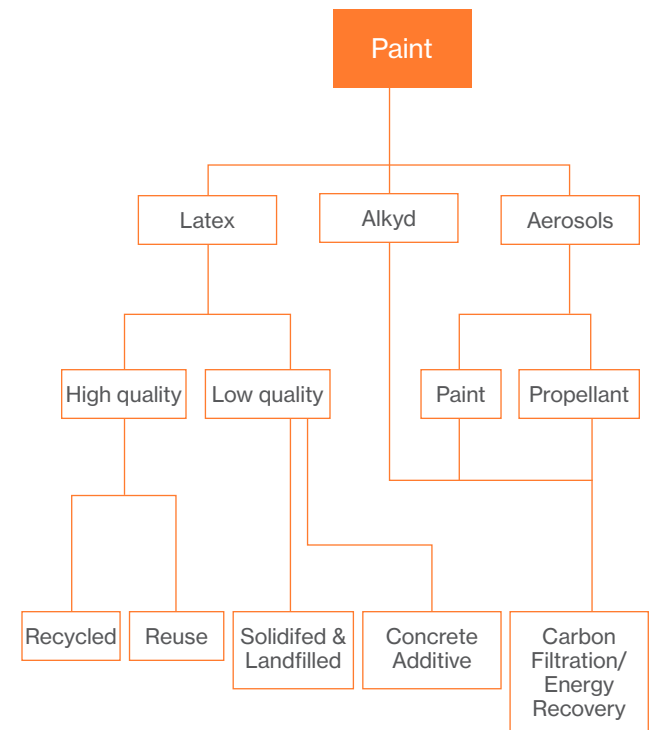
Administration 55,207

Communication 33,490

Total program expenses **\$892,349**

Excess of revenues over expenses for the year **\$358,760**

Paint Residual Product Management Flow Chart



Saskatchewan Household Hazardous Waste



Accepted Products

- Flammable liquids
- Domestic pesticides
- Corrosives
- Toxics
- Physically hazardous materials

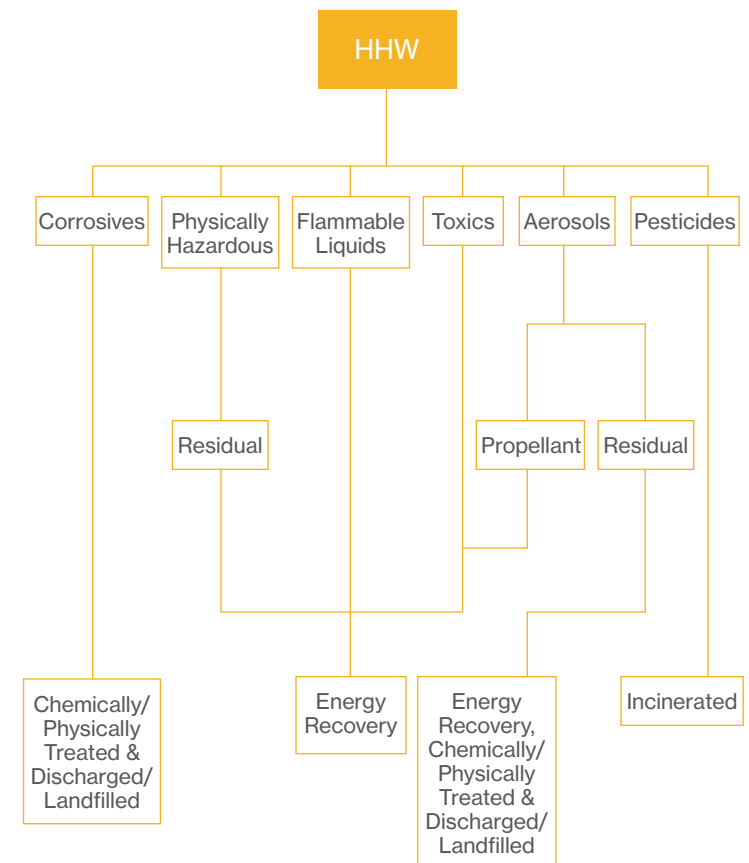
Collection

-	Recycling locations*
37	Collection events
2,519L	Toxics, including pesticides
2,537L	Corrosives
6,788L	Flammable liquids & gasoline
4,728	Units of physically hazardous products

Finances (2021)

Revenues	\$216,571
Program expenses	
Collection	165,530
Transport	17,641
Administration	1,124
Total program expenses	\$184,295
Excess of revenues over expenses for the year	\$32,277

HHW Product Management Flow Chart



Note: *The current collection system is based on collection events while the collection site network is being developed.

Manitoba Paint, Household Hazardous Waste, Lights

Accepted Products

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

Collection

123	Recycling locations
8	Collection events
299,000L	Paint
13,000L	Toxics, including pesticides
8,000L	Corrosives
86,000L	Flammable liquids & gasoline
24,000	Units of physically hazardous products
308,201	Units of lights

Recovery Rate

4.6%	Paint
7.0%	Toxics, including pesticides
5.5%	Corrosives
14.7%	Flammable liquids
10.7%	Physically hazardous products

Consumer Awareness (2021)

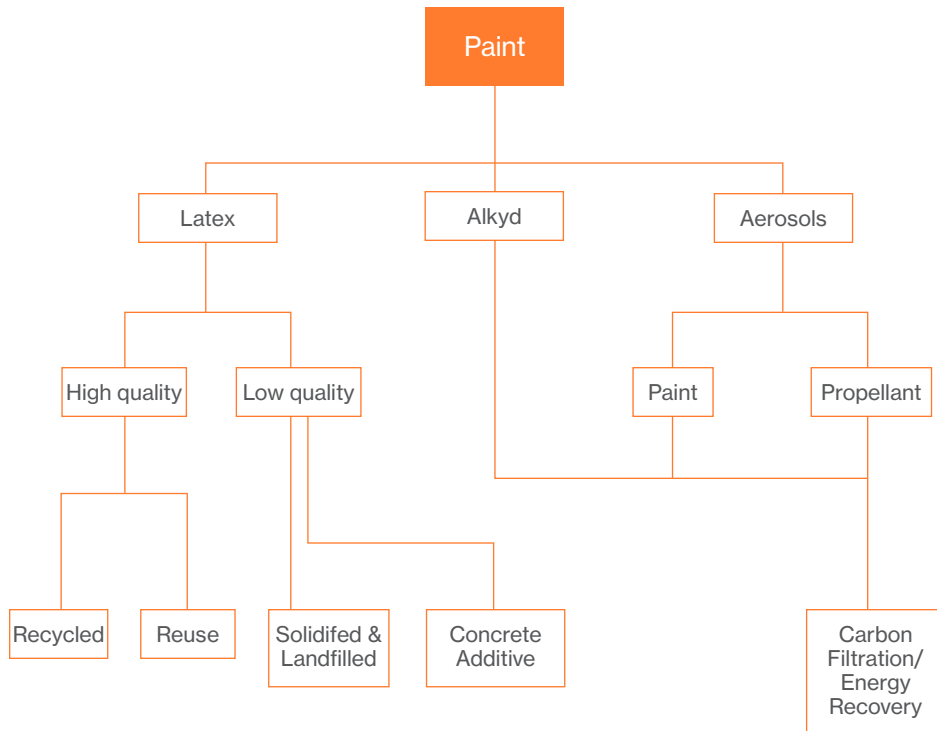
72%	Paint
74%	HHW
67%	Lights

Finances (2021)

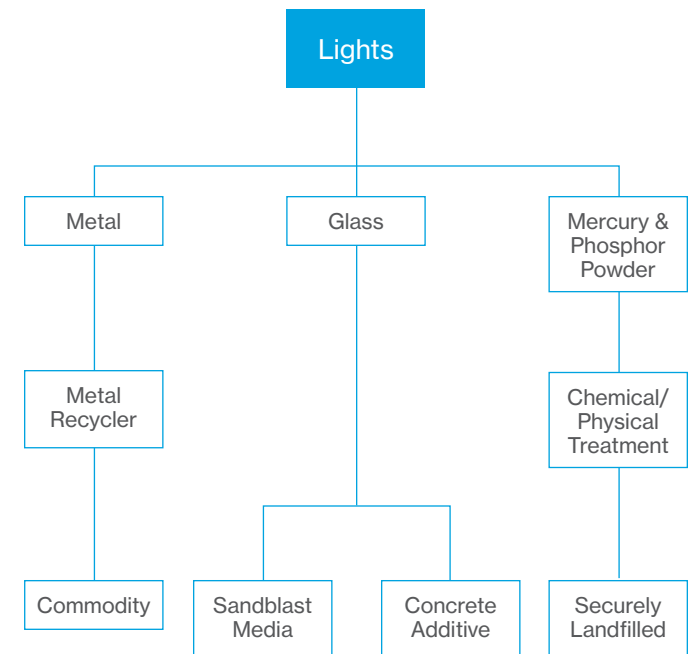
Revenues	\$1,890,539
Program expenses	
<i>Processing</i>	850,770
<i>Collection</i>	466,978
<i>Transport</i>	393,018
<i>Administration</i>	229,471
<i>Communication</i>	99,137
Total program expenses	\$2,039,374
Deficiency of Revenues over Expenses for the Year	(\$148,835)

Manitoba Paint, Household Hazardous Waste, Lights

Paint Residual Product Management Flow Chart

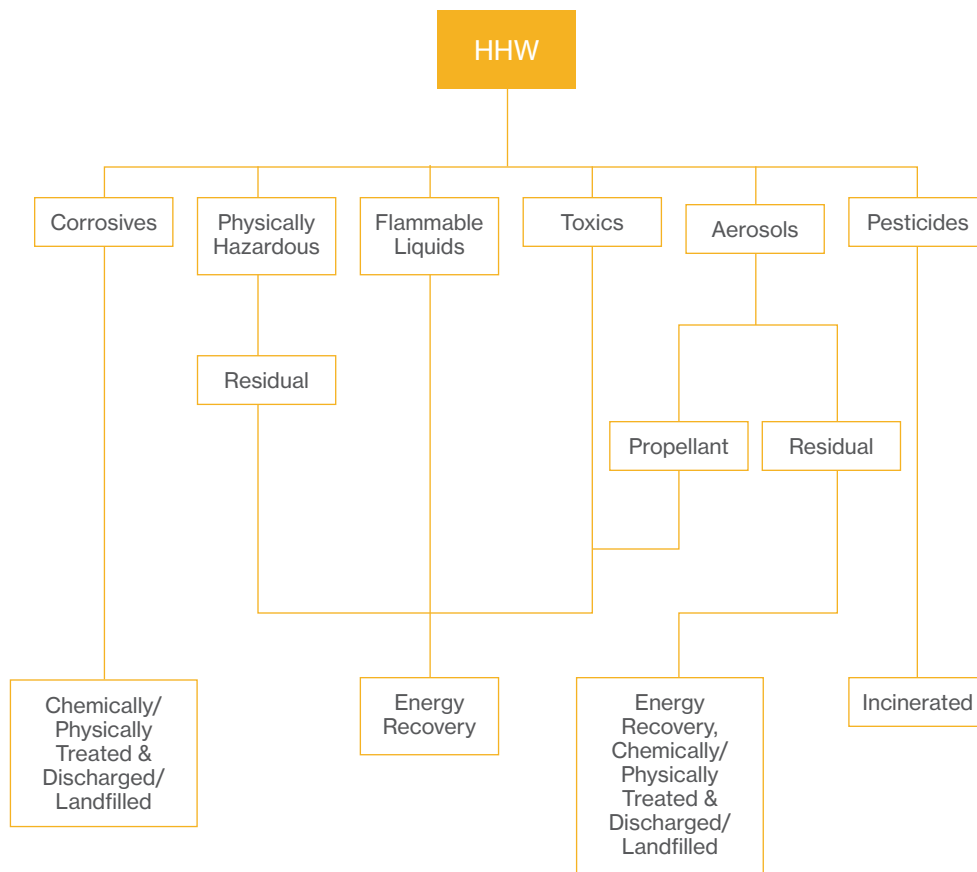


Lights Product Management Flow Chart



Manitoba Paint, Household Hazardous Waste, Lights

HHW Residual Product Management Flow Chart



Ontario Paint

Accepted Products

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

Collection

423	Recycling locations
98	Collection events
5,227T	Paint

Recovery Rate

9.4%

Finances¹ (2021)

Revenues **\$17,415,930**

Program expenses

<i>Processing</i>	5,865,720
<i>Collection²</i>	5,970,554
<i>Transport</i>	1,957,878
<i>Administration</i>	1,574,277
<i>Communication</i>	21,021
<i>Regulatory</i>	141,653

Total program expenses **\$15,531,104**

Excess of revenues over expenses for the year **\$1,884,826**

¹Financials include paint, pesticides, solvents, fertilizers, non-refillable pressurized containers and refillable propane pressurized containers.

²Collection includes municipal events.

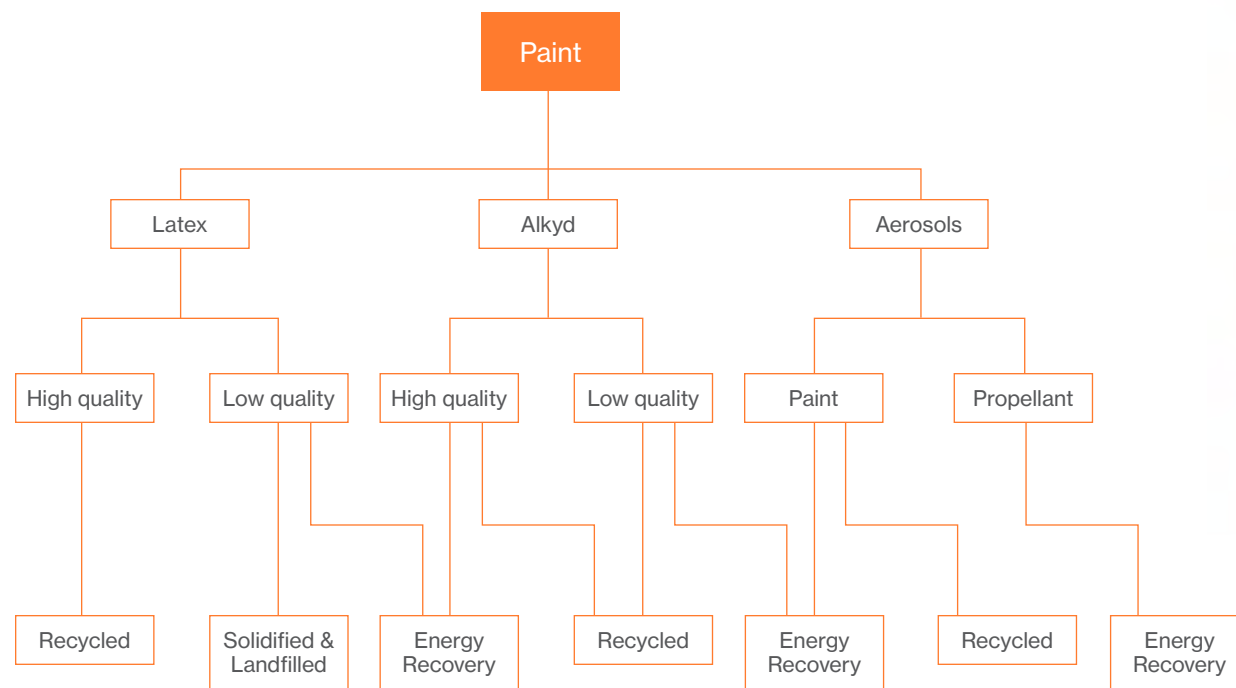
Paint Product Management

	Reused	Recycled	Energy Recovery	Solidified & Landfilled
Latex Paint	0.4%	66%	18.6%	15%
Alkyd Paint	-	94%	6%	-
Aerosols	-	22%	78%	-

Note: The information on this page includes the Industry Stewardship Program which ended September 30, 2021 and the Hazardous and Special Products Program which started on October 1, 2021

Ontario Paint

Paint Residual Product Management Flow Chart



Ontario Pesticides, Solvents, Fertilizers

Accepted Products

- Domestic pesticides
- Solvents – liquids that thin or dissolve a compatible substance
- Fertilizers – packaged products regulated under the Fertilizers Act (Canada)

Collection

99	Recycling locations
98	Collection events
27T	Pesticides
160T	Flammable liquids and gasoline
5T	Fertilizers

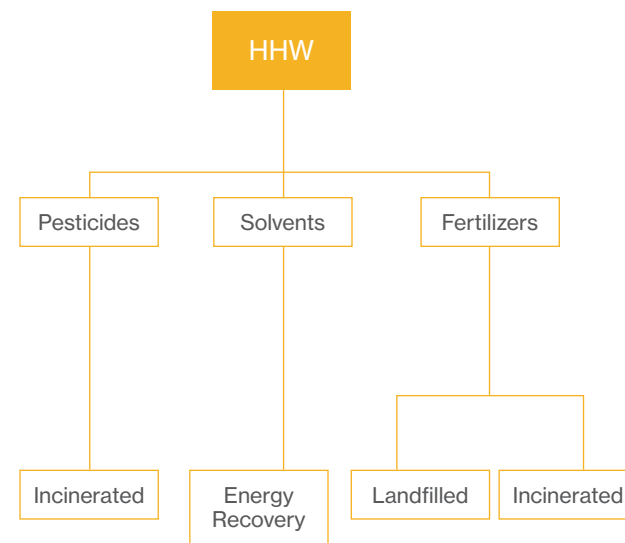
Recovery Rate

4%	Flammable liquids
28%	Pesticides
1%	Fertilizers

PSF Product Management

	Recycled	Energy Recovery	Incinerated	Landfilled
Pesticides	-	-	94%	6%
Flammable Liquids & Gasoline	1%	99%	-	-
Fertilizers	-	-	30%	70%

Pesticides, Solvents & Fertilizers 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

896	Recycling locations
57	Collection events
3,840,611	Units of lights

Recovery Rate

59%	Fluorescent tubes
40%	HIDs
9%	CFLs

Finances (2021)

Revenues **\$2,594,207**

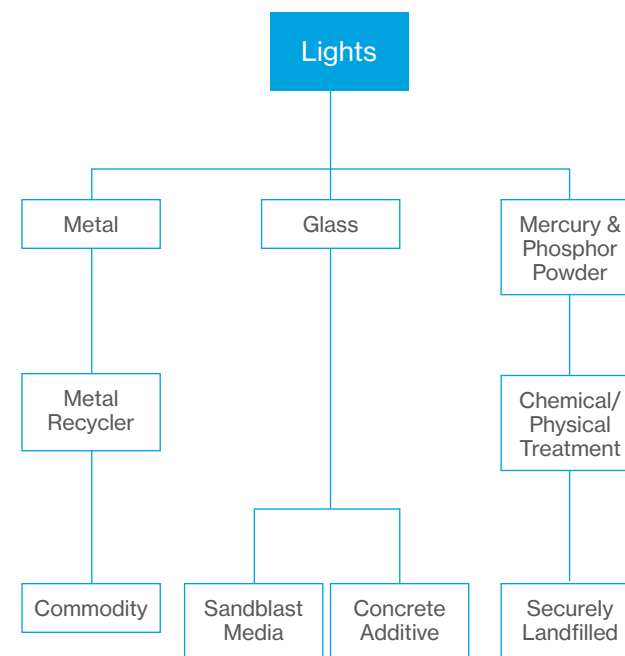
Program expenses

<i>Processing</i>	1,632,682
<i>Collection</i>	422,234
<i>Transport</i>	848,184
<i>Administration</i>	462,344
<i>Communication</i>	185,524
<i>Regulatory</i>	410,698

Total program expenses **\$3,961,666**

Deficiency of Revenues over Expenses for the Year **(\$1,367,459)**

Lights Product Management Flow Chart



Prince Edward Island Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

6	Recycling locations
81,292L	Paint

Paint Product Management

-	Reused
80.8%	Recycled
3.9%	Energy recovery
-	Incinerated
15.3%	Solidified & landfilled

Recovery Rate

7.1%

Finances (2021)

Revenues **\$513,500**

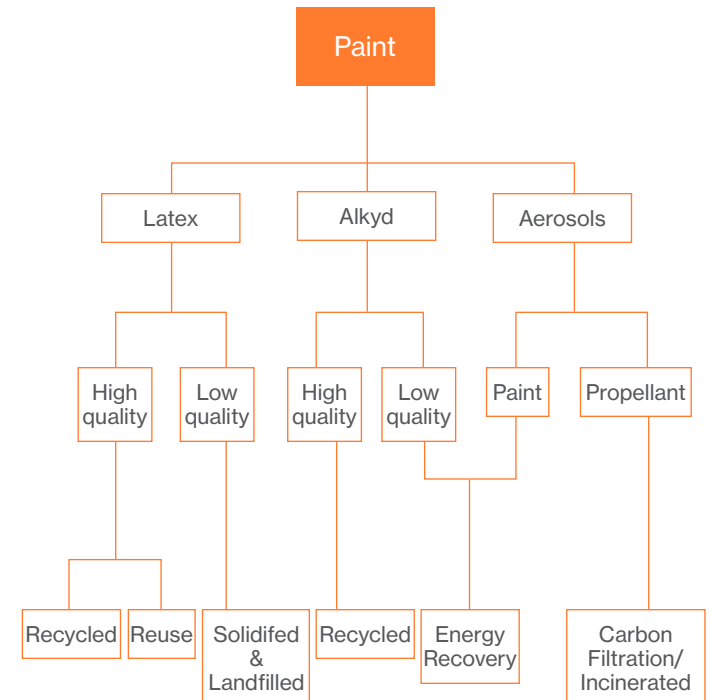
Program expenses

<i>Processing</i>	231,969
<i>Collection</i>	38,624
<i>Transport</i>	77,589
<i>Administration</i>	30,209
<i>Communication</i>	10,052
<i>Regulatory</i>	1,942

Total program expenses **\$390,384**

Excess of revenues over expenses for the year **\$123,116**

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

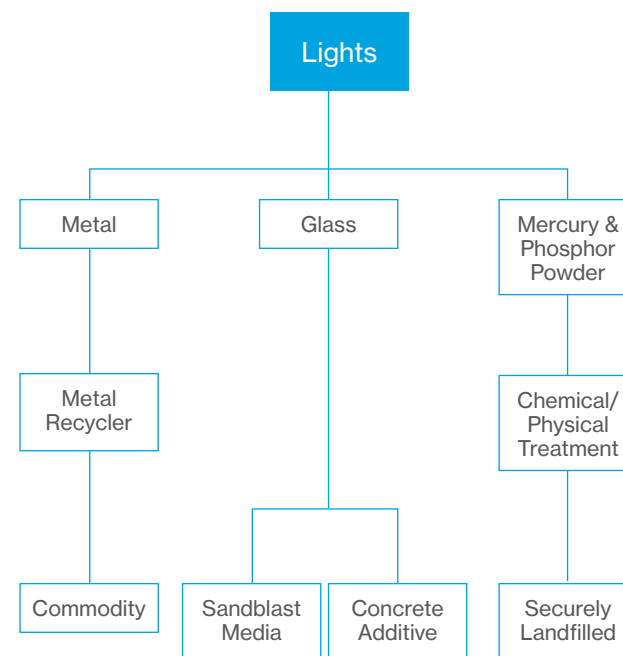
Collection

7 Recycling locations
126,289 Units of lights

Finances (2021)

Revenues	\$74,528
Program expenses	
<i>Processing</i>	37,977
<i>Collection</i>	14,154
<i>Transport</i>	17,967
<i>Administration</i>	4,547
<i>Communication</i>	2,375
<i>Regulatory</i>	-1,250
Total program expenses	\$75,770
Deficiency of Revenues over Expenses for the Year	(\$1,242)

Lights Product Management Flow Chart



New Brunswick Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

62	Recycling locations
49	Collection events
321,020L	Paint

Paint Product Management

0.4%	Reused
74.8%	Recycled
3.3%	Energy recovery
-	Incinerated
21.6%	Solidified & landfilled

Recovery Rate

6.0%

Consumer Awareness (2019)

79%

Finances (2021)

Revenues **\$1,354,511**

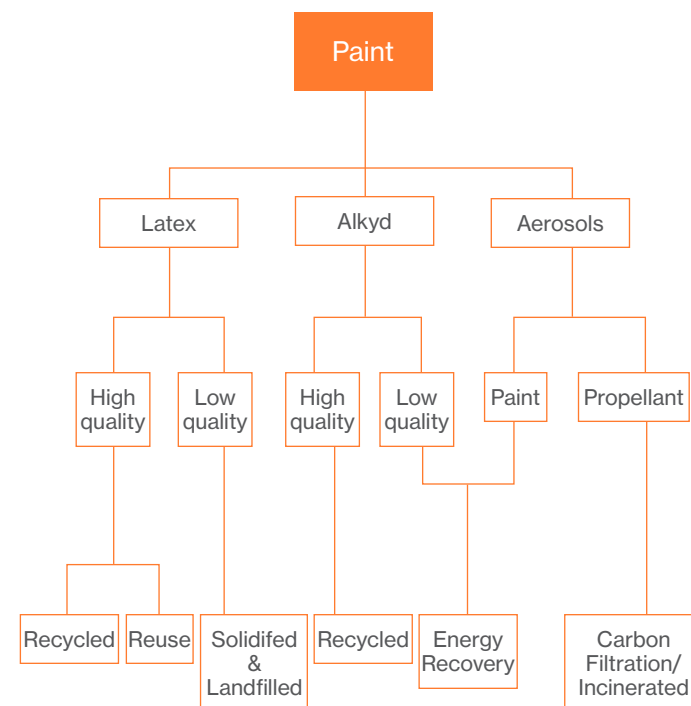
Program expenses

<i>Processing</i>	667,218
<i>Collection</i>	134,334
<i>Transport</i>	191,759
<i>Administration</i>	136,997
<i>Communication</i>	46,596
<i>Regulatory</i>	81,450

Total program expenses **\$1,258,354**

Excess of revenues over expenses for the year **\$96,157**

Paint Residual Product Management Flow Chart



Nova Scotia Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

94 Recycling locations
452,565L Paint

Paint Product Management

0.2% Reused
75.6% Recycled
4.7% Energy recovery
- Incinerated
19.5% Solidified & landfilled

Recovery Rate

6.9%

Consumer Awareness (2021)

84%

Finances (2021)

Revenues **\$1,627,559**

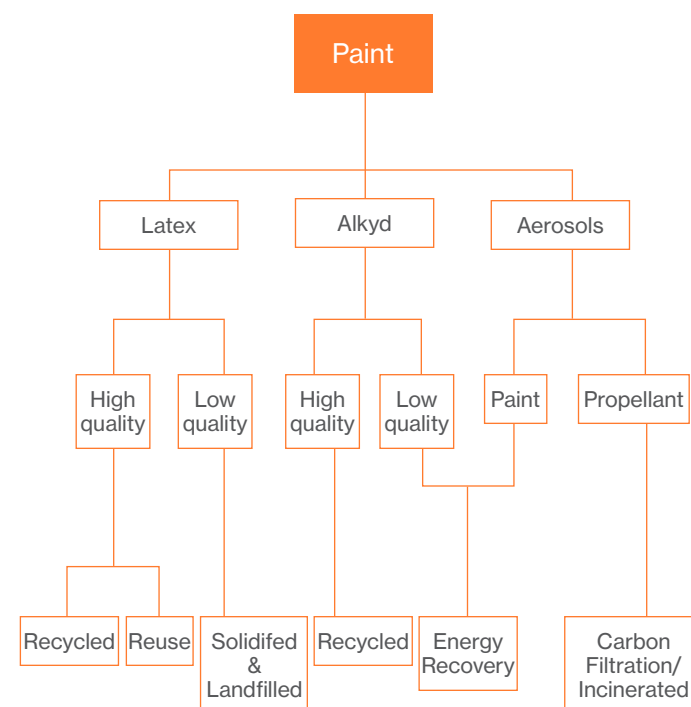
Program expenses

<i>Processing</i>	974,854
<i>Collection</i>	202,702
<i>Transport</i>	142,561
<i>Administration</i>	189,159
<i>Communication</i>	32,196

Total program expenses **\$1,541,472**

Excess of revenues over expenses for the year **\$86,087**

Paint Residual Product Management Flow Chart



Newfoundland & Labrador Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

53	Recycling locations
24	Collection events
143,896L	Paint

Paint Product Management

1.2%	Reused
72.3%	Recycled
2.6%	Energy recovery
-	Incinerated
24.0%	Solidified & landfilled

Recovery Rate

3.7%

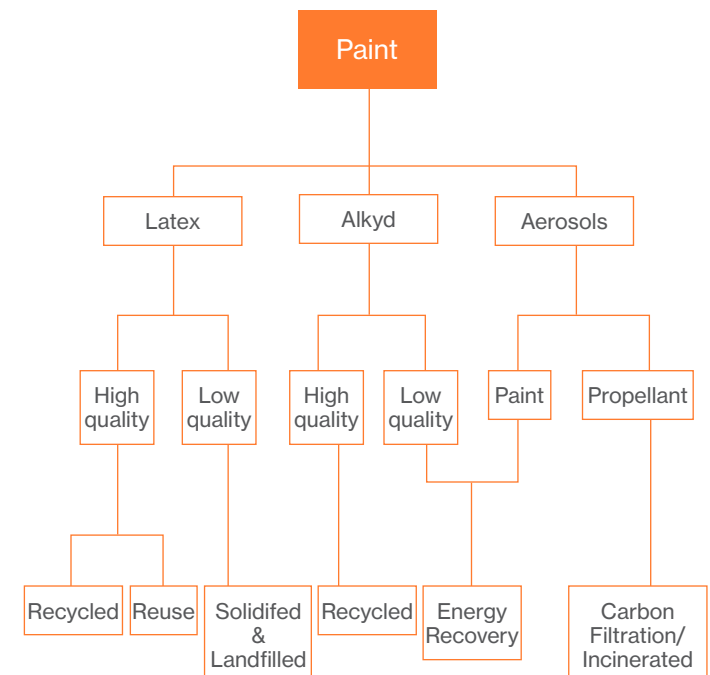
Finances (2021)

Revenues	\$761,240
Program expenses	
<i>Processing</i>	468,685
<i>Collection</i>	95,794
<i>Transport</i>	260,265
<i>Administration</i>	88,154
<i>Communication</i>	64,897
<i>Regulatory</i>	31,063
Total program expenses	\$1,008,858
Deficiency of Revenues over Expenses for the Year	(\$247,618)

Consumer Awareness (2021)

74%

Paint Residual Product Management Flow Chart



PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2021

PRODUCT CARE ASSOCIATION OF CANADA

Financial Statements

For the year ended 31 December 2021

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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 2021, 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 2021, 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.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
21 April 2022

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2021

	2021	2020
Assets		
Current		
Cash and cash equivalents	\$ 12,602,678	\$ 12,841,414
Term deposit (Note 5(a))	-	11,000,000
Restricted cash (Note 3)	765,500	2,381,724
Accounts receivable	2,952,024	3,675,865
Prepaid expenses and deposits	209,449	1,932,445
	<u>16,529,651</u>	<u>31,831,448</u>
Forgivable loans (Note 4)	372,394	338,885
Term deposits (Note 5(b))	20,716,359	14,919,661
Reserve - at market value (Note 6)	19,522,764	17,097,440
Investments - at market value	5,622,900	-
Tangible capital assets (Note 7)	15,328,142	8,719,010
Intangible assets (Note 8)	<u>50,000</u>	<u>60,248</u>
	<u>\$ 78,142,210</u>	<u>\$ 72,966,692</u>

Liabilities

Current		
Accounts payable and accrued liabilities (Note 9)	\$ 7,220,954	\$ 5,883,501
Ontario fee reduction payable (Note 12)	-	1,616,224
	<u>7,220,954</u>	<u>7,499,725</u>

Commitments (Note 11)
Contingencies (Note 10)

Members' Equity

Unrestricted	35,254,850	38,824,769
Invested in tangible capital and intangible assets	15,378,142	8,779,258
Reserve - internally restricted (Note 6)	19,522,764	17,097,440
Ontario fee reduction reserve (Note 10(b))	765,500	765,500
	<u>70,921,256</u>	<u>65,466,967</u>
	<u>\$ 78,142,210</u>	<u>\$ 72,966,692</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 2021

	Unrestricted	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve	Ontario Fee Reduction Reserve	Total 2021	Total 2020
Net assets - beginning of year	\$ 38,824,769	\$ 8,779,258	\$ 17,097,440	\$ 765,500	\$ 65,466,967	\$ 57,043,785
Excess (deficiency) of revenues over expenses for the year	6,035,869	(581,580)	-	-	5,454,289	8,423,182
Transfer to invested in tangible capital and intangible assets, net	(7,180,464)	7,180,464	-	-	-	-
Transfer to reserve	(2,425,324)	-	2,425,324	-	-	-
Net assets - end of year	\$ 35,254,850	\$ 15,378,142	\$ 19,522,764	\$ 765,500	\$ 70,921,256	\$ 65,466,967

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 2021

	2021	2020
Revenues	\$ 44,205,764	\$ 45,552,306
Expenses		
Operating	38,153,394	35,445,685
General and administration	3,463,899	3,388,802
General communications	93,923	99,648
	<u>41,711,216</u>	<u>38,934,135</u>
Excess of revenues over expenses from operations	<u>2,494,548</u>	<u>6,618,171</u>
Other income		
Investment income	2,471,957	808,097
Interest income	347,411	602,754
Unrealized gain on investments	128,533	390,934
Gain on sale of marketable securities	11,840	2,226
Gain on sale of tangible capital assets	-	1,000
	<u>2,959,741</u>	<u>1,805,011</u>
Excess of revenues over expenses for the year	<u>\$ 5,454,289</u>	<u>\$ 8,423,182</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 2021**

	2021	2020
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 5,454,289	\$ 8,423,182
Items not involving cash		
Market value adjustments	(128,533)	(390,934)
Amortization	581,580	484,922
Loans forgiven	56,401	56,880
Gain on sale of marketable securities	(11,840)	(2,226)
Gain on sale of tangible capital assets	-	(1,000)
	<u>5,951,897</u>	<u>8,570,824</u>
Changes in non-cash working capital balances		
Accounts receivable	723,841	(560,391)
Prepaid expenses and deposits	1,722,996	(26,154)
Accounts payable and accrued liabilities	1,337,453	874,598
Ontario fee reduction payable	(1,616,224)	1,616,224
	<u>8,119,963</u>	<u>10,475,101</u>
Investing activities		
Redemption (purchase) of term deposits	5,203,302	(11,373,781)
Transfer to reserve	(1,969,340)	(808,097)
Purchase of capital assets - net	(7,180,464)	(215,760)
Purchase of investments	(5,938,511)	-
	<u>(9,885,013)</u>	<u>(12,397,638)</u>
Financing activity		
Issuance of forgivable loans	<u>(89,910)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,854,960)	(1,922,537)
Cash and cash equivalents - beginning of year	15,223,138	17,145,675
Cash and cash equivalents - end of year	\$ 13,368,178	\$ 15,223,138
Cash and cash equivalents consists of:		
Cash	\$ 12,602,678	\$ 2,318,718
Savings accounts	-	10,522,696
Restricted cash	<u>765,500</u>	<u>2,381,724</u>
	<u>\$ 13,368,178</u>	<u>\$ 15,223,138</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 2021

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, restricted cash, 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 investments and 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 2021

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

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2021

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
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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 2021

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 the statement of operations.

3. Restricted cash

Restricted cash is comprised of the following amounts:

	<u>2021</u>	<u>2020</u>
Ontario Fee Reduction Campaign (Note 12)	\$ -	\$ 1,616,224
Ontario Fee Reduction Reserve (Note 10(b))	<u>765,500</u>	<u>765,500</u>
	<u>\$ 765,500</u>	<u>\$ 2,381,724</u>

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 20% 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 2021

4. Forgivable loans - Continued

	2021	2020
Balance - beginning of year	\$ 338,885	\$ 395,765
Funds advanced during the year	89,910	-
Loans forgiven during the year	(56,401)	(56,880)
Balance - end of year	\$ 372,394	\$ 338,885

5. Term deposits

(a) Short-term

As at 31 December 2021, the Association held term deposits of \$Nil (2020 - \$11,000,000).

(b) Long-term

As at 31 December 2021, the Association held term deposits totalling \$20,716,359 (2020 - \$14,919,661) with maturity dates ranging from 18 July 2024 to 6 December 2024 and bearing interest at 1.0% to 1.5% 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, \$2,425,324 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$444,144 at 31 December 2021, realized investment income and gain of \$1,981,180. In the prior year, \$1,201,257 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized gain of \$390,934 at 31 December 2020 and realized investment income and gain of \$810,323.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2021

7. Tangible capital assets

	Cost	Accumulated Amortization	2021 Net	2020 Net
Land	\$ 7,659,119	\$ -	\$ 7,659,119	\$ 3,403,983
Buildings	8,168,644	1,231,245	6,937,399	4,964,167
Equipment	3,052,230	2,320,606	731,624	350,860
Office equipment	5,551	5,551	-	-
	\$ 18,885,544	\$ 3,557,402	\$ 15,328,142	\$ 8,719,010

During the year, the Association acquired a building and an associated parcel of land for \$2,268,354 and \$4,255,136 respectively. The property will be used as a new office facility.

Land and buildings consist of two properties where legal ownership resides with bare trustee corporations. The Association has beneficial ownership of the properties.

Included in operating expenses and general and administrative expenses is a total of \$571,332 (2020 - \$431,701) of amortization expense.

8. Intangible assets

	Cost	Accumulated Amortization	2021 Net	2020 Net
ERP Software	\$ 754,986	\$ 754,986	\$ -	\$ 10,248
Quebec RecycFluo Program	50,000	-	50,000	50,000
	\$ 804,986	\$ 754,986	\$ 50,000	\$ 60,248

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 2021 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$10,248 (2020 - \$53,221) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2021

9. Accounts payable and accrued liabilities

	<u>2021</u>	<u>2020</u>
Accounts payable and accrued liabilities	\$ 7,046,760	\$ 5,572,835
Government remittances payable	<u>174,194</u>	<u>310,666</u>
	<u>\$ 7,220,954</u>	<u>\$ 5,883,501</u>

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 accrued liabilities are estimated penalties of \$810,354 (2020 - \$402,091), 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. The estimated penalties incurred in each fiscal year are as follows:

2020	\$402,091
2021	<u>408,263</u>
	<u>\$810,354</u>

- (b) Pursuant to the Surplus Fund Transfer Addendum (Note 12), the Association established a restricted reserve fund of \$765,500 (2020 - \$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	<u>15,100</u>
	<u>\$ 765,500</u>

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 September 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, while the transition of the MHSW program is underway, it is indeterminable whether 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 2021

11. Commitments

- (a) The Association has a lease agreement for the Quebec office suite which expires on 31 May 2024.

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 are as follows:

2022	\$ 105,541
2023	106,198
2024	<u>30,909</u>
	<u>\$ 242,648</u>

- (b) In previous years, the Association's board of directors had passed resolutions to make funds up to \$2,335,000 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 2021, \$653,242 of loans have been disbursed from the pool of available funds (Note 4) and \$280,848 of loans have been forgiven.
- (c) During the year, the Association's board of directors passed a resolution to make capital funding of up to \$1,000,000 available to collection sites participating in the Saskatchewan Household Hazardous Waste Program. The terms and conditions of how these funds will be disbursed have not been determined by the Association at the date of the Independent Auditors' Report.
- (d) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$1,191,111 (2020 - \$1,406,710) which will be incurred during 2022.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2021

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 funds 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 distributed to members of the Ontario Pesticides, Solvents and Fertilizers Program before 30 June 2021. Under the agreement, eligible members of the Programs were 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’s, in accordance with the fee reduction schedule as established and agreed by the Association and SO. The remaining amounts to be distributed to members as of 31 December 2020 were \$801,158 related to the Ontario PaintRecycle Program and \$815,066 related to the Ontario Pesticides, Solvents and Fertilizers Program. In 2021, the Association continued to distribute the SO funds to members. For any remaining amounts of SO funds related to Paint, Pesticides and Fertilizers, cash refunds of \$827,599 were issued to members during the year.

After the final distribution of the SO surplus funds related to Solvents, the board of directors approved an extension of the Ontario Solvent fee reduction program. The extended fee reduction program is funded from the accumulated surplus generated by the Association’s Solvent program which has been used to reduce EHF’s owing by members. For the year ended 31 December 2021, the extended Ontario Solvents fee reduction program resulted in a decrease in EHF revenue of \$235,576.

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 2021.

(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, restricted cash, term deposits, accounts receivable and forgivable loans. Cash, cash equivalents, restricted cash 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 2021

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 2021, cash and accounts receivable of \$541,242 USD and \$97,818 USD (2020 - \$531,115 USD and \$100,580 USD) respectively and accounts payable and accrued liabilities of \$50,879 USD (2020 - \$20,035 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.

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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 amounts held in investments and 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 2021 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.

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14. Controlled organization - Continued

PCA PSI

	31 December 2021	31 December 2020
	(unaudited)	
Financial Position		
Total assets	\$ 2,413,993	\$ 1,976,432
Total liabilities	115,943	79,347
Total net assets	2,298,050	1,897,085
	\$ 2,413,993	\$ 1,976,432
	31 December 2021	31 December 2020
	(unaudited)	
Results of Operations		
Total revenue	\$ 1,506,927	\$ 1,758,482
Total expenses	1,102,530	1,253,263
Excess of revenues over expenses	\$ 404,397	\$ 505,219
	31 December 2021	31 December 2020
	(unaudited)	
Cash Flows		
Cash provided by operating activities	\$ 560,965	\$ 320,097

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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 \$18,814 (2020 - \$9,953) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2022 fiscal year.

Included in revenues is \$88,360 (2020 - \$110,622) 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.