



Annual Report 2022

productcare.org



Table of Contents

Board of Directors	3
Letter from the Chair	4
Letter from the President	5
About Us	6
Product Overview	7
2022 Highlights	10
Programs	11
British Columbia Paint & HHW	12
British Columbia Lights	14
British Columbia Alarms	16
Saskatchewan Paint	17
Saskatchewan HHW	18
Manitoba Paint, HHW, Lights	19
Ontario Paint	22
Ontario HHW	24
Québec Recycfluo	25
Prince Edward Island Paint	26
Prince Edward Island Lights	27
New Brunswick Paint	28
Nova Scotia Paint	29
Newfoundland & Labrador Paint	30
Audited Financials	31





Board of Directors

Chair

Vincent Rea – PPG Canada Inc. | Paint

Vice Chair

Jeffrey Cattanaach – The Home Depot | Retail

Corporate Secretary

Jason Bernard – The Sherwin-Williams Company | Paint

David Chaulk – Cloverdale Paint | Paint

Dejan Lenasi – Signify Canada Ltd. | Lighting & Alarms

Karen Stephenson – Scotts Canada | Other Products

Steve Veroba – Benjamin Moore & Co. | Paint

Jennifer Dolin – Lutron Electronics Co. Inc. | Lighting & Alarms (beginning June 2022)

Dan Giansante – Rust-Oleum Canada | Other Products (beginning June 2022)

Mélanie Lussier – Lowe's Canada/Rona | Retail (beginning June 2022)

Trevor McDole – Home Hardware Stores Ltd. | Other Products (beginning June 2022)

Wayne Edwards – Electro-Federation | Lighting & Alarms (to June 2022)

Darrin Noble – Cloverdale Paint | Other Products (to June 2022)

Stephen Wolinsky – Rust-Oleum Canada | Other Products (to June 2022)



Letter from the Chair

Dear members and industry colleagues,

As we reflect on 2022, I am pleased that growth and progress has continued for Product Care and the industry we service. In adding new products, new programs and new jurisdictions, Product Care continues to meet its primary objectives of protecting the environment and providing regulatory compliance for its members.

Extended producer responsibility (EPR) continues to expand in response to a combination of government and consumer expectation to see industry not only increase recycling and the circular economy, but also for the larger purpose of climate action. Industry is stepping up by financially supporting the programs and more. In 2022, 46% of Product Care's collection sites were retail locations of the designated products, and in Ontario that number was even higher at 70%, substantially improving consumer convenience.

We are grateful to all our members for their dedication to creating a more sustainable future. In particular, I want to thank our board members for their contributions and take a moment to acknowledge those whose service concluded in 2022: Darrin Noble, Wayne Edwards, and Stephen Wolinsky, thank you for your years of service and your unwavering commitment to Product Care's

vision and mission. At the same time, we welcomed and thank the incoming board members who joined us in 2022: Jennifer Dolin, Dan Giansante, Mélanie Lussier, and Trevor McDole. Thank you for joining the Product Care board and for your contributions and dedication.

Looking ahead, we are excited about the additional growth that we anticipate in the year ahead. We are confident that with the continued commitment and dedication of our staff and our members, we will continue to make strides towards a more sustainable future.

Vince Rea,
Board Chair





Letter from the President

Dear members and colleagues,

In 2022, the third year of the pandemic, we saw a combination of “the new normal”, such as hybrid working from home/office, and another year of growth and challenge for Product Care, working on improving existing programs, launching new programs and responding to proposed EPR regulations.

Much of our attention was on Ontario, where the transition under the Hazardous and Special Products (HSP) regulation continued and we prepared for the significantly more demanding collection system requirements in 2023. The Product Care team also worked diligently to prepare for the launch of the Ontario Lighting program in January 2023 – the first Ontario EPR program that for a product that was not previously included in product stewardship regulations. Also Saskatchewan's household hazardous waste (HHW) program opened its first permanent collection site, located in Regina, and continues to establish more sites for the years ahead.

EPR momentum is accelerating, with jurisdictions like Alberta and the Yukon consulting on EPR for the first time, and other jurisdictions proposing to expand their list of designated products, with a variety of regulatory approaches, making compliance even more challenging.

Looking back on my 20 years with Product Care, I am immensely thankful to all our board of directors, producer members, staff, stakeholders, and service partners for the continued dedication and commitment to responsible recycling. Together, we are building a better future for the communities in which we live, work, and serve.

Mark Kurschner,
President



About Us



Vision

Our vision is to establish Product Care as a leader in the development and management of innovative extended producer responsibility solutions.

Mission

Our mission is to provide extended producer responsibility solutions that advance the efficiency and effectiveness of program delivery for our members, while caring for the environment, our employees, and the public.

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 1,350 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 pick-up service for large volumes of leftover paint. Product Care paint programs provide Canadians with a means to dispose of their leftover paint that 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 2022, Product Care recovered 10.3 million litres of paint – the equivalent of more than 2.7 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 is used in homes and on buildings, 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 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. Some light technologies, such as 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 offer free pick-up service for large volumes of lights.

In 2022, Product Care diverted more than 10.8 million light bulbs from landfills – approximately two light bulbs 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

Since October 2011, Product Care has operated its BC alarm recycling program, which 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 2022, the BC Alarms program diverted more than 117,000 smoke and CO alarms from BC's landfills – laid side-by-side the equivalent of approximately 28 CN towers!

2022 Highlights

Overview



16 programs
9 provinces
4 product categories



595 members' environmental obligations fulfilled

Locations & Quantities Recycled



2,400+ recycling locations in Canada
450 one day collection events

Recycled in 2022:



10,384,223
litres of paint



10,865,323
light bulbs



117,985
alarms

Public Education & Promotion



115M+ impressions from digital marketing campaigns



132M+ 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

235	Recycling locations
13	Collection events
2,794,000 L	Paint
14,100 L	Pesticides
136,300 L	Flammable liquids & gasoline

Recovery Rate

9.1%	Paint
10.8%	Pesticides
5.0%	Flammable liquids

Consumer Awareness (2022)

71%

Finances (2022)

Revenues **\$8,559,577**

Program expenses

<i>Processing</i>	<i>4,434,607</i>
<i>Collection</i>	<i>1,453,221</i>
<i>Transport</i>	<i>1,748,396</i>
<i>Administration</i>	<i>1,240,496</i>
<i>Communication</i>	<i>254,838</i>

Total program expenses **\$9,131,558**

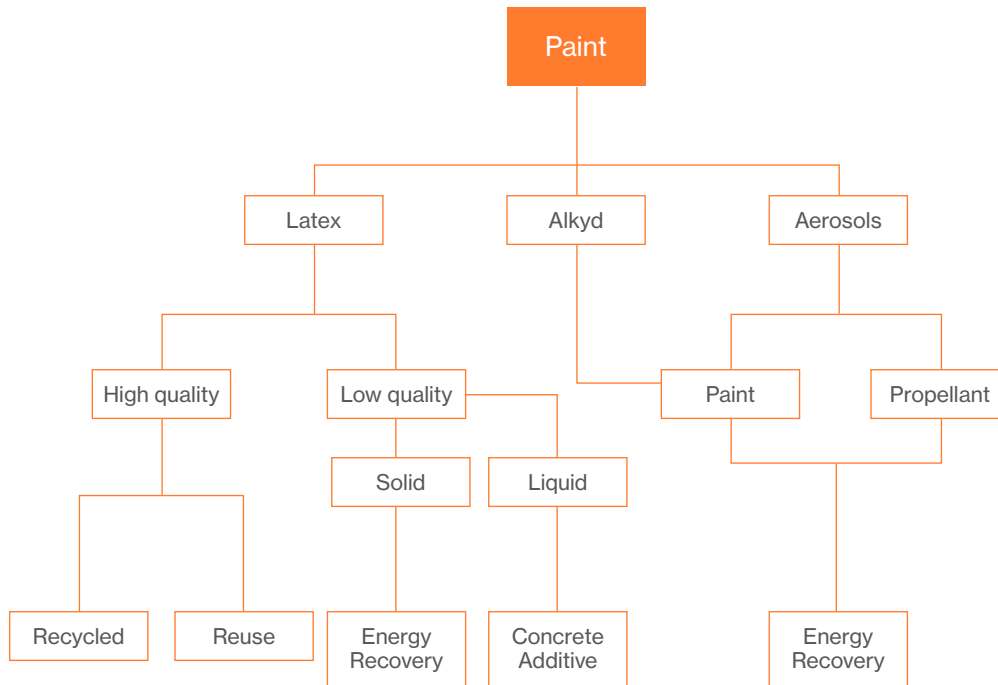
Deficiency of revenues over expenses for the year **(\$571,981)**

Paint Product Management

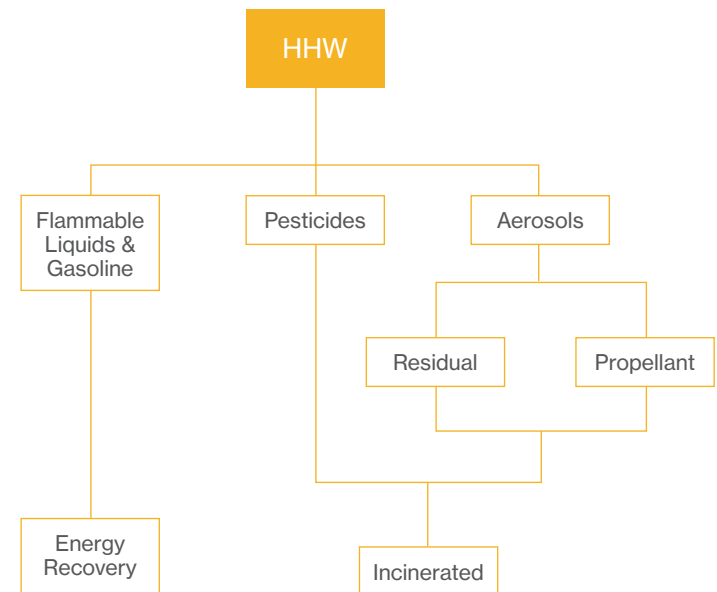
	Reused	Recycled	Energy Recovery	Incinerated	Managed/ Processed	Solidified & Landfilled
Latex Paint	-	62.1%	21.2%	-	16.7%	-
Alkyd Paint	-	-	100%	-	-	-
Flammable Liquids & Gasoline	-	-	100%	-	-	-
Pesticides	-	-	-	100%	-	-

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

453	Recycling locations
21	Collection events
6,600,000 units	Lights
1,070 t	Residential fixtures
7,638 kg	PCB Ballasts

Consumer Awareness (2022)

75%

Finances (2022)

Revenues	\$4,759,235
----------	--------------------

Program expenses

<i>Processing</i>	3,468,095
-------------------	-----------

<i>Collection</i>	674,078
-------------------	---------

<i>Transport</i>	277,860
------------------	---------

<i>Administration</i>	490,741
-----------------------	---------

<i>Communication</i>	261,701
----------------------	---------

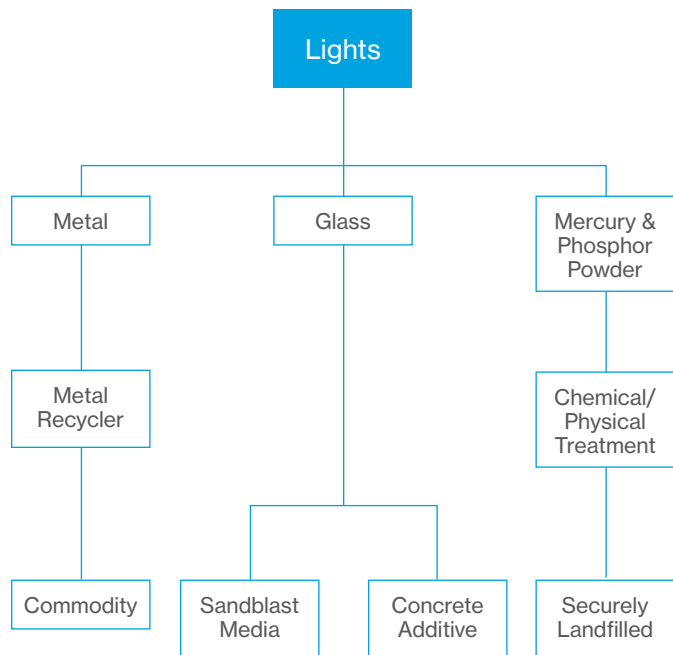
Total program expenses	\$5,172,475
------------------------	--------------------

Deficiency of revenues over expenses for the year	(\$413,240)
---	--------------------

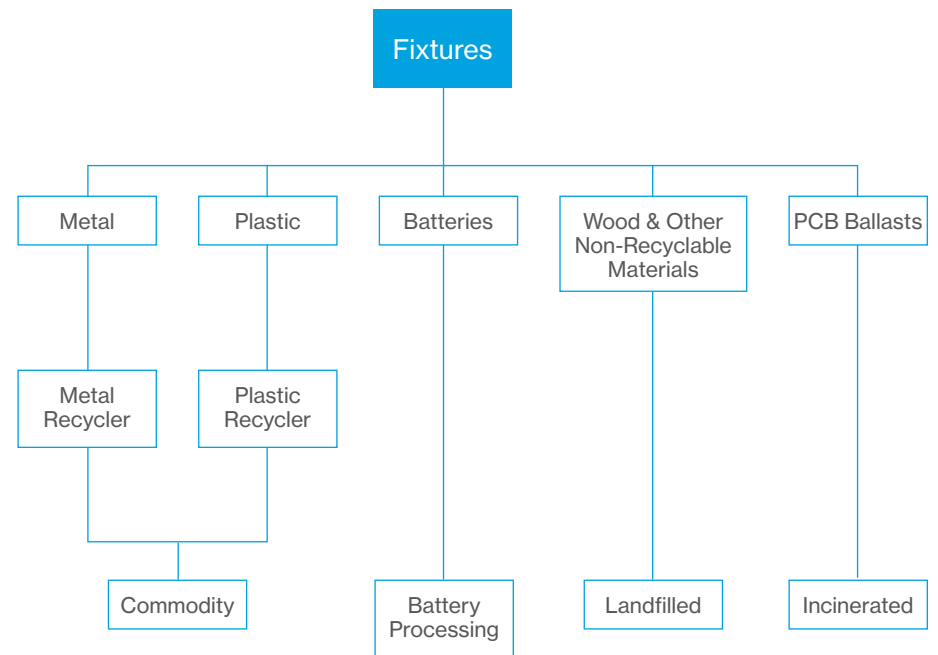


British Columbia Lights

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

225	Recycling locations
14	Collection events
118,000 units	Alarms

Alarms Product Management

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

Consumer Awareness (2022)

54%

Finances (2022)

Revenues **\$451,895**

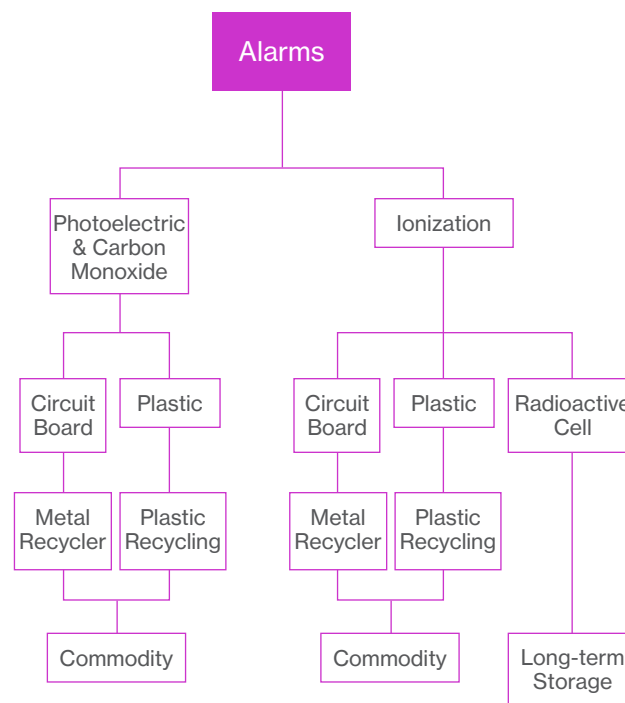
Program expenses

<i>Processing</i>	328,045
<i>Collection</i>	63,361
<i>Transport</i>	74,818
<i>Administration</i>	46,037
<i>Communication</i>	93,023

Total program expenses **\$605,284**

Deficiency of revenues over expenses for the year **(\$153,389)**

Alarms Product Management Flow Chart



Saskatchewan Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

86	Recycling locations
25	Collection events
334,000 L	Paint

Recovery Rate

6.6%

Paint Product Management

17%	Reused
55%	Recycled
26%	Energy recovery
0%	Incinerated
2%	Solidified & landfilled

Consumer Awareness (2022)

80%

Finances (2022)

Revenues **\$1,020,425**

Program expenses

Processing 412,710

Collection & Transport 254,528

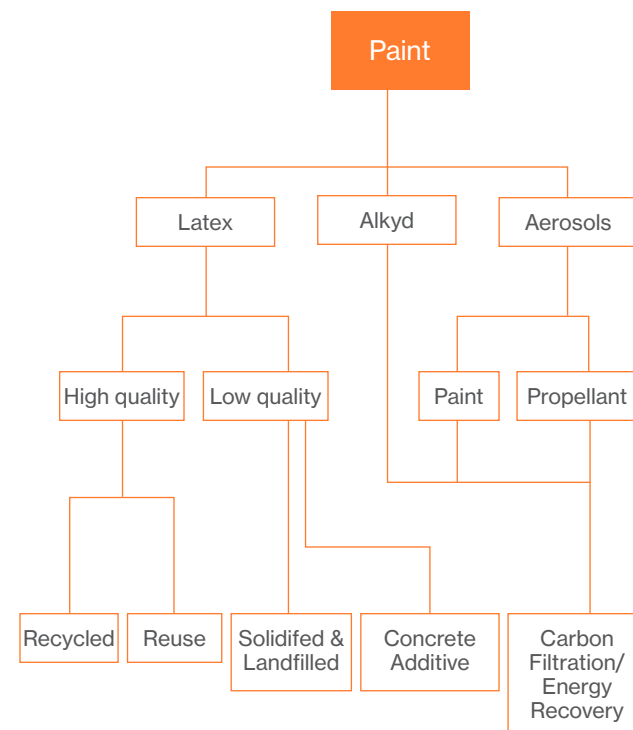
Administration 53,957

Communication 47,585

Total program expenses **\$768,779**

Excess of revenues over expenses for the year **\$251,645**

Paint Residual Product Management Flow Chart



Saskatchewan Household Hazardous Waste

Accepted Products

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

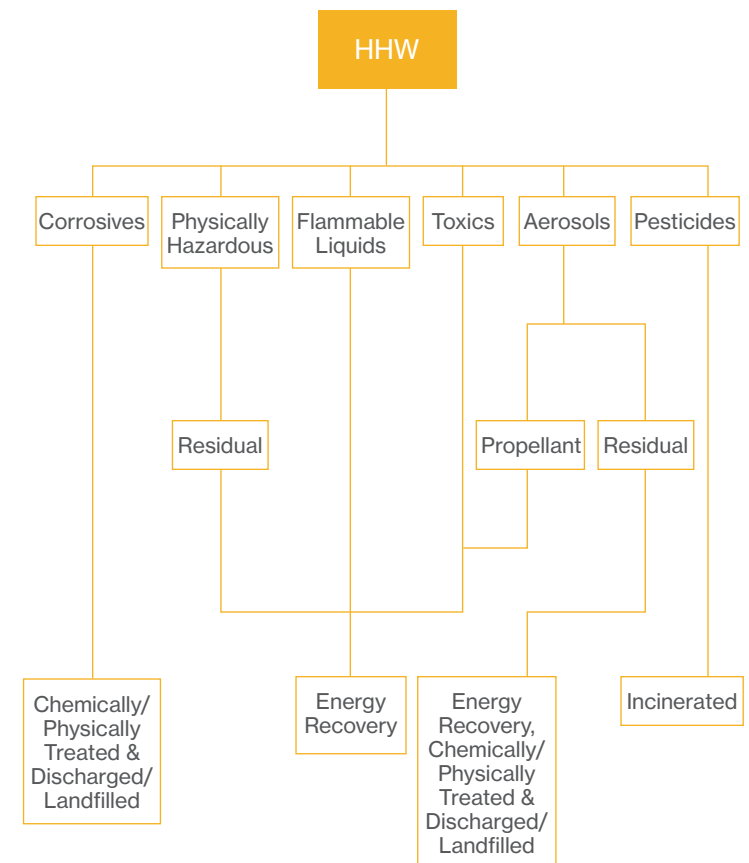
Collection

1	Recycling locations*
67	Collection events
2,200 L	Toxics, including pesticides
1,800 L	Corrosives
5,700 L	Flammable liquids & gasoline
4,100 units	Physically hazardous products

Finances (2022)

Revenues	\$319,736
Program expenses	
Processing	1,842
Collection	195,130
Administration	40,305
Communication	20,313
Total program expenses	\$257,591
Excess of revenues over expenses for the year	\$62,146

HHW Product Management Flow Chart



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

Manitoba Paint, Household Hazardous Waste, Lights

Accepted Products

- Architectural paints and coatings
- All paint aerosols
- Flammable liquids
- Domestic pesticides
- Corrosives
- Toxics
- Physically hazardous materials
- Fluorescent and compact fluorescent lights

Collection

123	Recycling locations
8	Collection events
377,000 L	Paint
27,000 L	Toxics, including pesticides
6,700 L	Corrosives
46,000 L	Flammable liquids & gasoline
18,000 units	Physically hazardous products
328,000 units	Lights

Recovery Rate

5.8%	Paint
12.7%	Toxics, including pesticides
5.0%	Corrosives
8.6%	Flammable liquids
9.4%	Physically hazardous products

Consumer Awareness (2021)

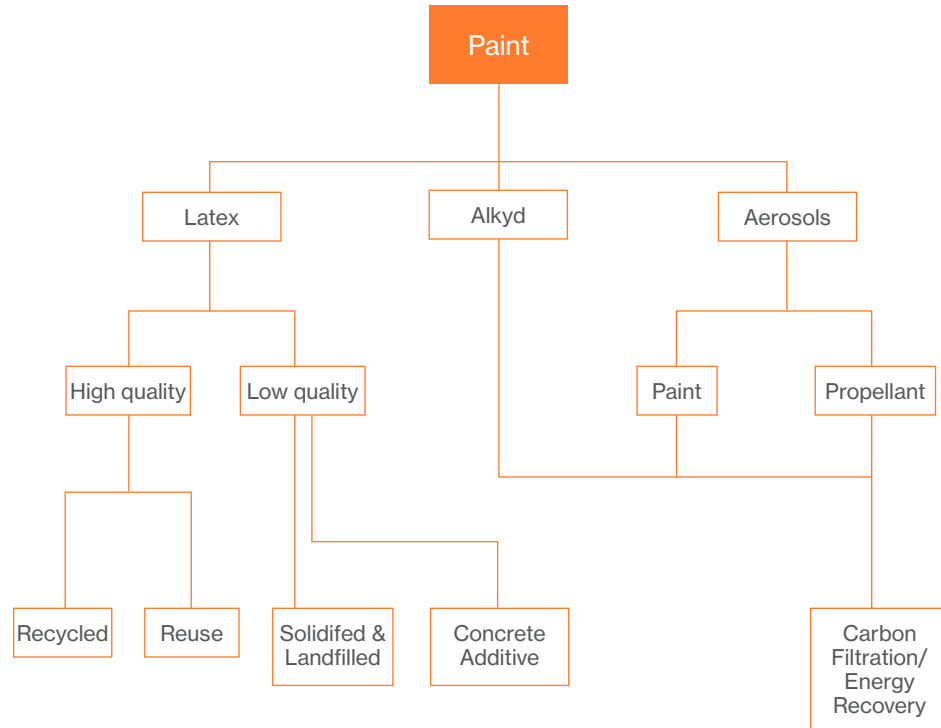
72%	Paint
74%	HHW
67%	Lights

Finances (2022)

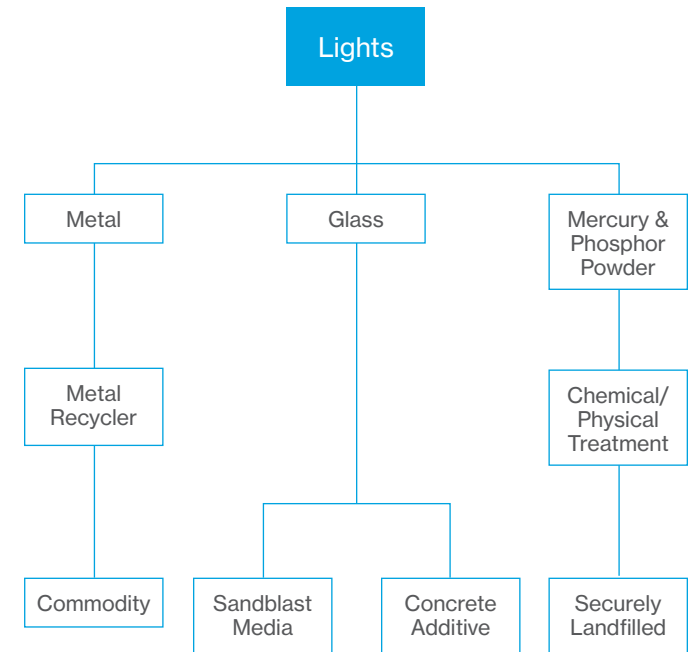
Revenues	\$1,890,539
Program expenses	
<i>Processing</i>	850,770
<i>Collection</i>	466,978
<i>Transport</i>	393,018
<i>Administration</i>	229,471
<i>Communication</i>	99,137
Total program expenses	\$2,039,374
Deficiency of revenues over expenses for the year	(\$148,835)

Manitoba Paint, Household Hazardous Waste, Lights

Paint Residual Product Management Flow Chart

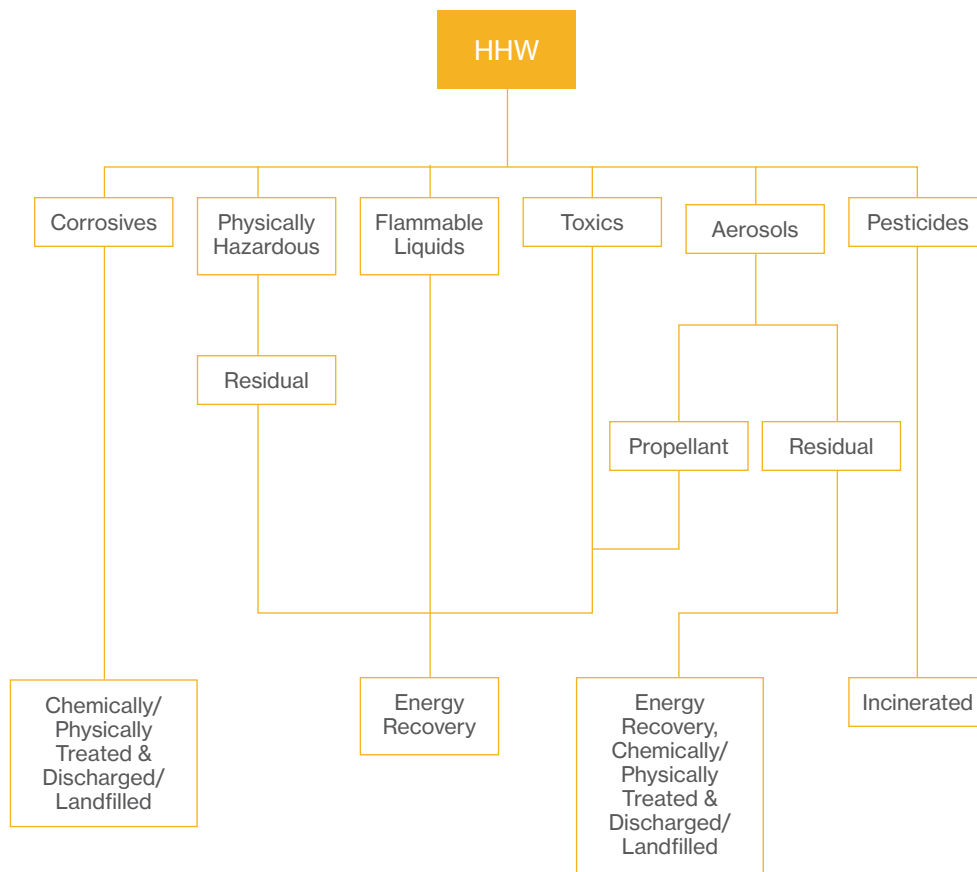


Lights Product Management Flow Chart



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

458	Recycling locations
239	Collection events
8,204 t	Paint

Recovery Rate

9.1%

Finances¹ (2022)

Revenues **\$15,659,511**

Program expenses

<i>Processing</i>	6,316,296
<i>Collection²</i>	6,360,104
<i>Transport</i>	2,342,450
<i>Administration</i>	1,721,178
<i>Communication</i>	48,874
<i>Regulatory</i>	74,455

Total program expenses **\$16,863,358**

Deficiency of revenues over expenses for the year **(\$1,203,847)**

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

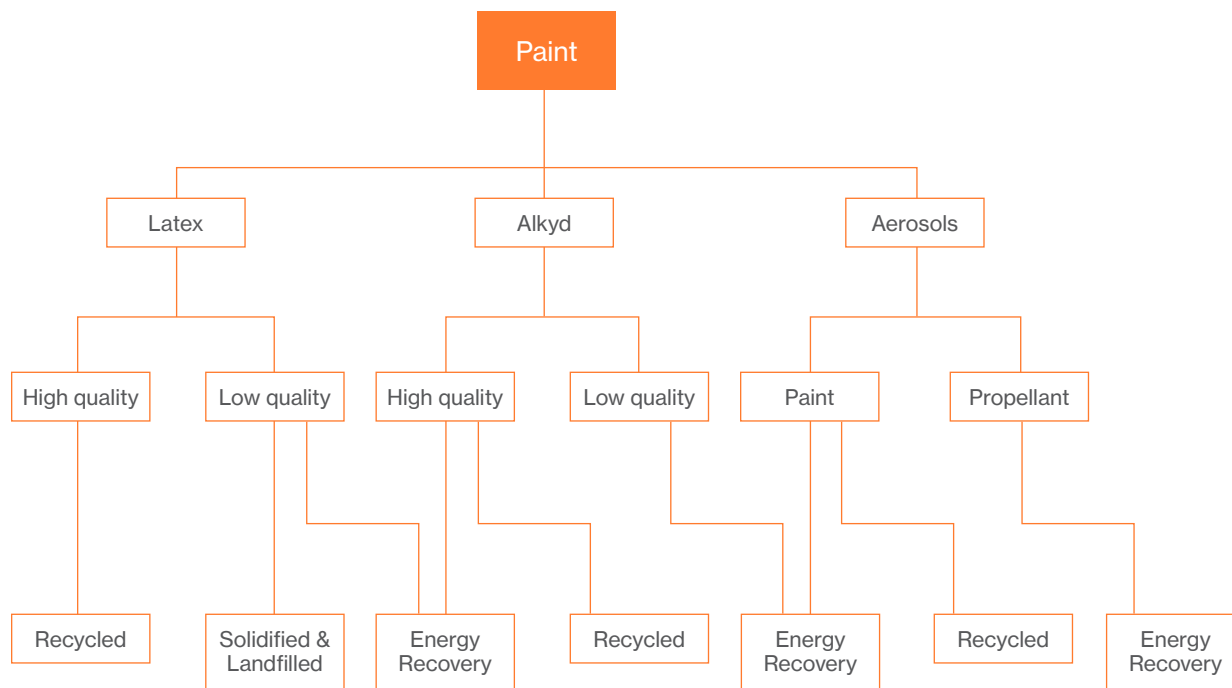
² Collection includes municipal events.

Paint Product Management

	Reused	Recycled	Energy Recovery	Solidified & Landfilled
Latex Paint	1%	74%	17%	8%
Alkyd Paint	-	71%	29%	-
Aerosols	-	51%	49%	-

Ontario Paint

Paint Residual Product Management Flow Chart



Ontario Household Hazardous Waste

Accepted Products

- Domestic pesticides
- Solvents – liquids that thin or dissolve a compatible substance
- Non-refillable pressurized containers
- Refillable propane containers

Collection

99	Recycling locations
239	Collection events
29 t	Pesticides
184 t	Solvents
111 t	Refillable propane containers
198 t	Non-refillable pressurized containers

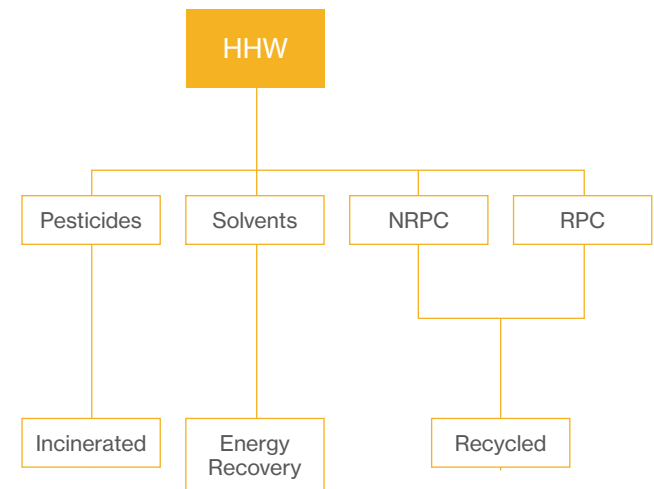
Recovery Rate

27%	Solvents
5%	Pesticides
34%	Non-refillable pressurized containers
26%	Refillable propane containers

HHW Product Management

	Recycled	Energy Recovery	Incinerated	Landfilled
Pesticides	-	-	99%	1%
Solvents	4%	96%	-	-
Non-Refillable Pressurized Containers	96%	4%	-	-
Refillable Propane Containers	98%	2%	-	-

HHW 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

893	Recycling locations
56	Collection events
3,820,600 units	Lights

Recovery Rate

67%	Fluorescent tubes
46%	HIDs
10%	CFLs

Finances (2022)

Revenues **\$2,322,740**

Program expenses

Processing 1,645,796

Collection 443,397

Transport 910,299

Administration 384,330

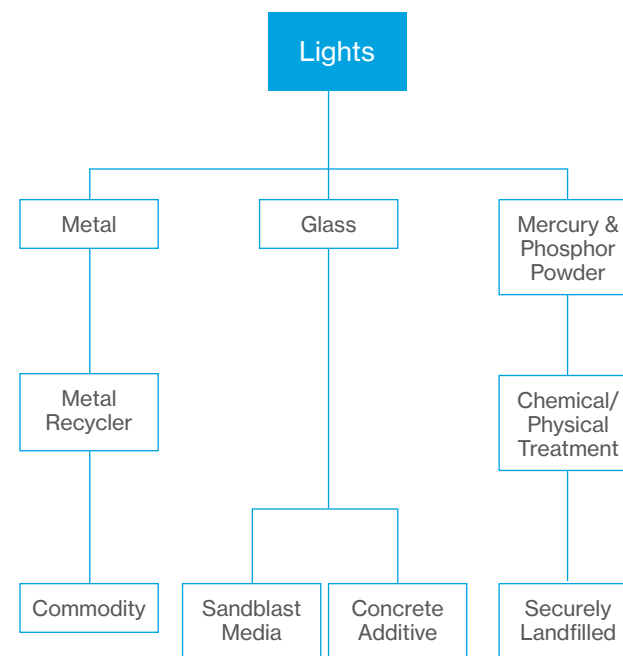
Communication 188,843

Regulatory (810,318)

Total program expenses **\$2,762,347**

Deficiency of revenues over expenses for the year **(\$439,607)**

Lights Product Management Flow Chart



Prince Edward Island Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

6 Recycling locations
84,000 L Paint

Paint Product Management

- Reused
81.8% Recycled
1.2% Energy recovery
 - Incinerated
16.9% Solidified & landfilled

Recovery Rate

7.1%

Finances (2022)

Revenues **\$513,500**

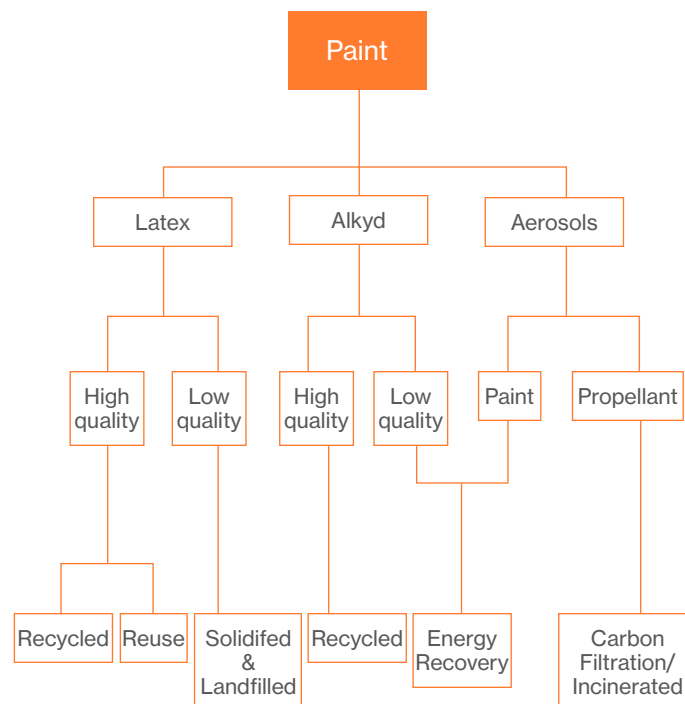
Program expenses

<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

- 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

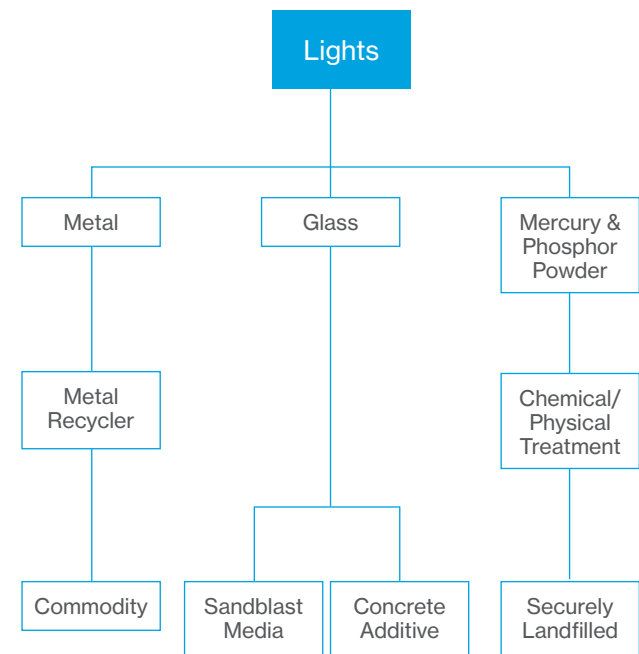
7 Recycling locations

117,000 units Lights

Finances (2022)

Revenues	\$67,716
Program expenses	
<i>Processing</i>	38,081
<i>Collection</i>	12,692
<i>Transport</i>	20,119
<i>Administration</i>	4,383
<i>Communication</i>	2,000
<i>Regulatory</i>	5,000
Total program expenses	\$82,276
Deficiency of revenues over expenses for the year	(\$14,560)

Lights Product Management Flow Chart



New Brunswick Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

62	Recycling locations
50	Collection events
275,000 L	Paint

Paint Product Management

0.3%	Reused
74.5%	Recycled
1.7%	Energy recovery
-	Incinerated
23.5%	Solidified & landfilled

Recovery Rate

5.6%

Finances (2022)

Revenues **\$1,200,646**

Program expenses

<i>Processing</i>	554,188
<i>Collection</i>	116,620
<i>Transport</i>	209,231
<i>Administration</i>	105,344
<i>Communication</i>	76,877
<i>Regulatory</i>	82,700

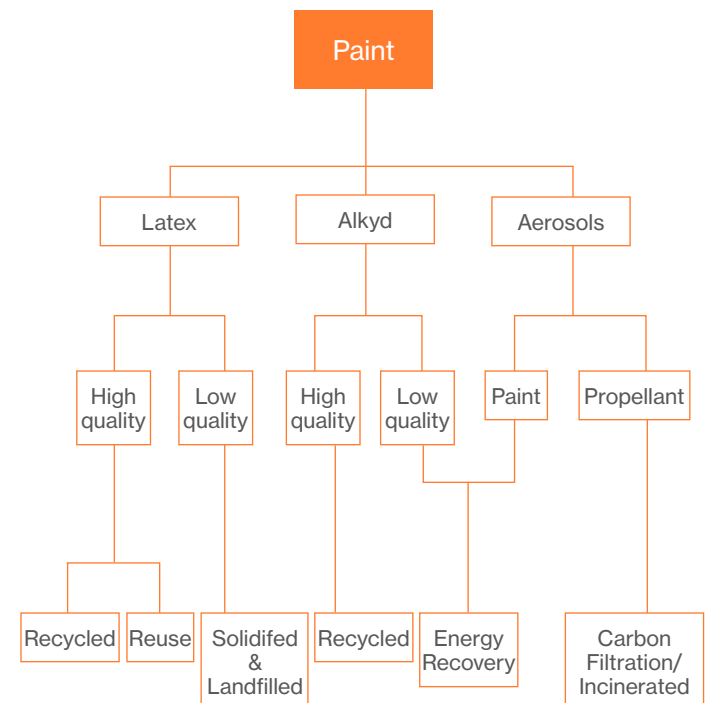
Total program expenses **\$1,144,960**

Excess of revenues over expenses for the year **\$55,686**

Consumer Awareness (2022)

82%

Paint Residual Product Management Flow Chart



Nova Scotia Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

92 Recycling locations
405,000 L Paint

Paint Product Management

0.3% Reused
77.2% Recycled
3.7% Energy recovery
- Incinerated
18.8% Solidified & landfilled

Recovery Rate

6.8%

Finances (2022)

Revenues **\$1,419,387**

Program expenses

<i>Processing</i>	762,038
<i>Collection</i>	164,019
<i>Transport</i>	143,866
<i>Administration</i>	150,018
<i>Communication</i>	39,531

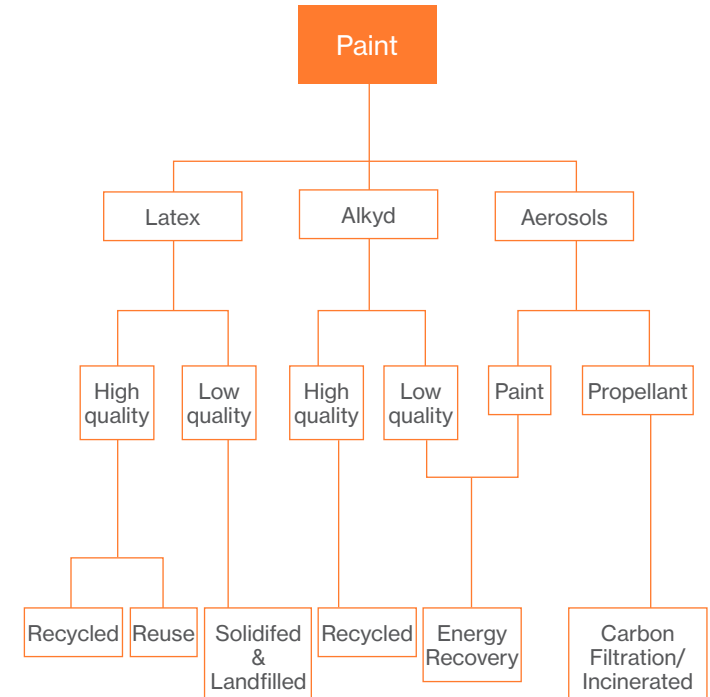
Total program expenses **\$1,259,472**

Excess of revenues over expenses for the year **\$159,915**

Consumer Awareness (2022)

83%

Paint Residual Product Management Flow Chart



Newfoundland & Labrador Paint

Accepted Products

- Architectural paints and coatings
- All paint aerosols

Collection

52	Recycling locations
28	Collection events
133,000 L	Paint

Paint Product Management

1.5%	Reused
79.4%	Recycled
1.3%	Energy recovery
-	Incinerated
17.8%	Solidified & landfilled

Recovery Rate

3.9%

Finances (2022)

Revenues **\$661,569**

Program expenses

<i>Processing</i>	279,882
<i>Collection</i>	74,143
<i>Transport</i>	299,865
<i>Administration</i>	102,882
<i>Communication</i>	125,033
<i>Regulatory</i>	31,073

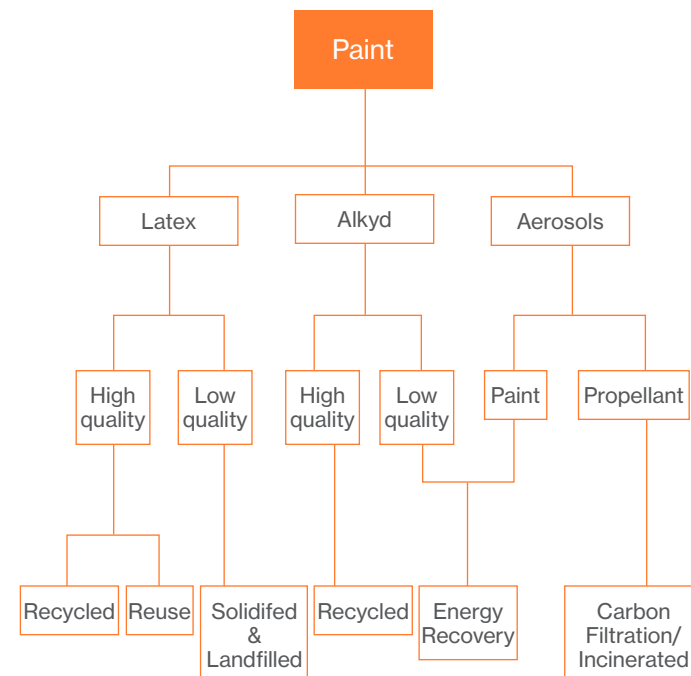
Total program expenses **\$912,878**

Deficiency of revenues over expenses for the year **(\$251,309)**

Consumer Awareness (2022)

76%

Paint Residual Product Management Flow Chart



PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2022

PRODUCT CARE ASSOCIATION OF CANADA

Financial Statements

For the year ended 31 December 2022

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 - 21

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 2022, 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 2022, 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 complete 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
20 April 2023

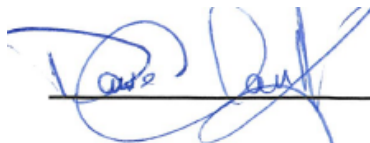
PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2022

	2022	2021
		(Note 17)
Assets		
Current		
Cash and cash equivalents	\$ 7,803,169	\$ 11,239,584
Term deposits (Note 5(a))	11,166,649	-
Accounts receivable	3,263,440	2,952,024
Prepaid expenses and deposits	686,378	209,449
	<u>22,919,636</u>	<u>14,401,057</u>
Restricted cash (Note 3)	2,151,872	2,128,594
Forgivable loans (Note 4)	347,977	372,394
Term deposits (Note 5(b))	9,695,138	20,716,359
Reserve - at market value (Note 6)	-	19,522,764
Investments - at market value	23,941,026	5,622,900
Tangible capital assets (Note 7)	14,970,974	15,328,142
Intangible assets (Note 8)	<u>50,000</u>	<u>50,000</u>
	<u>\$ 74,076,623</u>	<u>\$ 78,142,210</u>
Liability		
Current		
Accounts payable and accrued liabilities (Note 9)	<u>\$ 6,661,229</u>	<u>\$ 7,220,954</u>
Commitments (Note 11)		
Contingencies (Note 10)		
Net Assets		
Unrestricted	3,627,298	33,891,756
Invested in tangible capital and intangible assets	15,020,974	15,378,142
Reserve - internally restricted (Note 6)	-	19,522,764
Internally restricted (Note 6)	46,615,250	-
Externally restricted (Note 12)	2,151,872	2,128,594
	<u>67,415,394</u>	<u>70,921,256</u>
	<u>\$ 74,076,623</u>	<u>\$ 78,142,210</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 2022

	Unrestricted	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve	Externally restricted	Internally restricted	Total 2022	Total 2021
	(Note 17)			(Note 17)			
Net assets - beginning of year	\$ 33,891,756	\$ 15,378,142	\$ 19,522,764	\$ 2,128,594	\$ -	\$ 70,921,256	\$ 65,466,967
Excess (deficiency) of revenues over expenses for the year	(2,820,285)	(685,577)	-	-	-	(3,505,862)	5,454,289
Transfer to invested in tangible capital and intangible assets	(328,409)	328,409	-	-	-	-	-
Transfer from internally restricted reserve (Note 6)	2,425,324	-	(19,522,764)	-	17,097,440	-	-
Transfer to internally restricted (Note 6)	(29,517,810)	-	-	-	29,517,810	-	-
Transfer to externally restricted (Note 12)	(23,278)	-	-	23,278	-	-	-
Net assets - end of year	\$ 3,627,298	\$ 15,020,974	\$ -	\$ 2,151,872	\$ 46,615,250	\$ 67,415,394	\$ 70,921,256

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 2022

	2022	2021
Revenues	\$ 39,941,245	\$ 44,205,764
Expenses		
Operating	39,141,420	38,153,394
General and administration	3,487,113	3,463,899
General communications	123,686	93,923
	<u>42,752,219</u>	<u>41,711,216</u>
Excess (deficiency) of revenues over expenses from operations	(2,810,974)	2,494,548
Other income (expense)		
Investment income	690,877	2,471,957
Interest income	509,750	347,411
Gain on sale of marketable securities	1,191	11,840
Unrealized (loss) gain on investments	(1,896,706)	128,533
	<u>(694,888)</u>	<u>2,959,741</u>
Excess (deficiency) of revenues over expenses for the year	\$ (3,505,862)	\$ 5,454,289

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 2022**

	2022	2021
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (3,505,862)	\$ 5,454,289
Items not involving cash		
Market value adjustments	1,896,706	(128,533)
Amortization	685,577	581,580
Loans forgiven	60,073	56,401
Gain on sale of marketable securities	(1,191)	(11,840)
	<u>(864,697)</u>	<u>5,951,897</u>
Changes in non-cash working capital balances		
Accounts receivable	(311,416)	723,841
Prepaid expenses and deposits	(476,929)	1,722,996
Accounts payable and accrued liabilities	(559,726)	1,337,452
Ontario fee reduction payable	-	(1,616,224)
	<u>(2,212,768)</u>	<u>8,119,962</u>
Investing activities		
Redemption (purchase) of term deposits	(145,427)	5,203,302
Restricted cash	(23,278)	1,610,183
Transfer to reserve	-	(1,969,340)
Purchase of capital assets - net	(328,409)	(7,180,464)
Purchase of investments	(690,877)	(5,938,511)
	<u>(1,187,991)</u>	<u>(8,274,830)</u>
Financing activity		
Issuance of forgivable loans	<u>(35,656)</u>	<u>(89,910)</u>
Net decrease in cash and cash equivalents	(3,436,415)	(244,778)
Cash and cash equivalents - beginning of year	11,239,584	11,484,362
Cash and cash equivalents - end of year	\$ 7,803,169	\$ 11,239,584

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 2022

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 which are comprised of various investments in mutual funds.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

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 2022

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. Investment income is recognized as revenue when earned.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

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>2022</u>	<u>2021</u>
		(Note 17)
Quebec Recycfluo Program Reserve (Note 12)	\$ 1,386,372	\$ 1,363,094
Ontario Fee Reduction Reserve (Note 10(b))	<u>765,500</u>	<u>765,500</u>
	<u>\$ 2,151,872</u>	<u>\$ 2,128,594</u>

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

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.

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 372,394	\$ 338,885
Funds advanced during the year	35,656	89,910
Loans forgiven during the year	<u>(60,073)</u>	<u>(56,401)</u>
Balance - end of year	<u>\$ 347,977</u>	<u>\$ 372,394</u>

5. Term deposits

(a) Short-term

As at 31 December 2022, the Association held term deposits of \$11,166,649 (2021 - \$Nil) with maturity dates ranging from 8 August 2023 to 18 August 2023 and bearing interest at 4.4% per annum which has been classified as a short-term assets.

(b) Long-term

As at 31 December 2022, the Association held term deposits totalling \$9,695,138 (2021 - \$20,716,359) with maturity dates ranging from 18 July 2024 to 18 August 2024 and bearing interest at 1.5% per annum which have been classified as long-term assets.

6. Internally restricted net assets

In previous year's, the Directors of the Association established the internally restricted reserve fund for the purpose of (1) responding 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. During the year, the Directors of the Association approved the PCA Members' Net Assets Management and Allocation Policy, which includes the establishment of an internally restricted PCA Program Reserve Fund and resulted in the closure of the previous internally restricted Reserve Fund. The PCA program Reserve Fund is presented as internally restricted net assets on the statement of financial position and statement of changes in net assets.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

6. Internally restricted net assets - Continued

The purpose of the PCA Program Reserve Fund is as follows:

- stabilizing eco fees by being available to manage year to year volume fluctuations;
- covering the costs of winding up the Association by the decision of the members or as consequence of regulatory change, in an orderly manner, not to exceed two years;
- to cover the cost of unanticipated or extraordinary items;
- Interim funding of program expansion;
- to fund other special projects (such as the acquisition or construction of a building);
- to fund the purchase of capital equipment; and
- to act as a sinking fund to cover the cost of managing products with long life spans, for which collection may occur well in the future

The balance of the PCA Program Reserve Fund shall be equal to or be less than programs' total expenses recorded in the most recently completed year, and should never fall below six months of the programs' total expenses. At the discretion of the Directors, the balance of the PCA Program Reserve Fund may exceed the most recent year's expenses in cases where programs have elevated risks due to market conditions compounded with long life spans of associated program products. The amount of the PCA program reserve threshold is recalculated on an annual basis and the reserve value is adjusted accordingly at year end for the associated year which is presented in the statement of changes in net assets as a fund transfer.

The assets in the PCA Program Reserve Fund consist of cash, term deposits and investments in fixed income and equity securities, and are independently managed.

During the year, upon the closure of the internally restricted reserve fund, \$17,097,440 was transferred to the PCA Program Reserve Fund with the remaining balance of \$2,425,324 transferred to unrestricted net assets. Additionally, at year end, \$29,517,810 (2021 - \$Nil) was transferred from unrestricted net assets to the PCA Program Reserve Fund. In total, these transactions resulted in a fund transfer of \$46,615,250 to the internally restricted net assets.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

7. Tangible capital assets

	Cost	Accumulated Amortization	2022 Net	2021 Net
Land	\$ 7,659,119	\$ -	\$ 7,659,119	\$ 7,659,119
Buildings	8,141,509	1,542,619	6,598,890	6,937,399
Depot equipment	3,387,436	2,674,471	712,965	731,624
Office equipment	5,551	5,551	-	-
	\$ 19,193,615	\$ 4,222,641	\$ 14,970,974	\$ 15,328,142

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 \$685,577 (2021 - \$571,332) of amortization expense.

8. Intangible assets

	Cost	Accumulated Amortization	2022 Net	2021 Net
ERP Software	\$ 754,986	\$ 754,986	\$ -	\$ -
Quebec RecycFluo Program	50,000	-	50,000	50,000
	\$ 804,986	\$ 754,986	\$ 50,000	\$ 50,000

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 2022 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$Nil (2021 - \$10,248) of amortization expense.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

9. Accounts payable and accrued liabilities

	<u>2022</u>	<u>2021</u>
		(Note 17)
Accounts payable and accrued liabilities	\$ 6,591,595	\$ 7,046,760
Government remittances payable	<u>69,634</u>	<u>174,194</u>
	<u>\$ 6,661,229</u>	<u>\$ 7,220,954</u>

10. Contingencies

- (a) During the 2020 to the 2021 fiscal years, the Association accrued estimated penalties of \$810,354 as a result of the program not meeting certain material collection targets pursuant to the Regulation regarding the recycling and recovery of products by businesses. On 30 June 2022, the government of Quebec amended the Regulation and as such, the penalties accumulated in previous years have been cancelled. Due to this, the Association has reversed the penalties previously accrued in the financial statements, which has been recorded as a reduction in operating expenses in the current year of \$810,354, and has not accrued any estimated penalties for the 2022 fiscal year.

The amended regulation requires certain collection targets beginning in the Association's 2023 fiscal year, and the Association will be subject to potential penalties if these targets are not met.

- (b) Pursuant to the Surplus Fund Transfer Addendum (Note 13), the Association established a restricted reserve fund of \$765,500 (2021 - \$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 2022

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:

2023	\$ 108,858
2024	<u>31,902</u>
	<u>\$ 140,760</u>

- (b) In previous years, the Association's board of directors had passed resolutions to make funds up to \$1,535,000 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 2022, \$688,898 of loans have been disbursed from the pool of available funds (Note 4) and \$340,921 of loans have been forgiven.
- (c) During the 2021 fiscal 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 \$755,481 (2021 - \$1,191,111) which will be incurred during 2023.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

12. Externally restricted net assets

Externally restricted net assets is comprised of the following amounts:

	<u>2022</u>	<u>2021</u>
Quebec Recycfluo Program Reserve	\$ 1,386,372	\$ 1,363,094
Ontario Fee Reduction Reserve (Note 10(b))	<u>765,500</u>	<u>765,500</u>
	<u>\$ 2,151,872</u>	<u>\$ 2,128,594</u>

Pursuant to the agreement between the Association and Societe Quebecoise de recuperation et de recyclage, the Association is required to maintain a reserve fund equal to a minimum of six months and a maximum of twelve months of program operating expenses. The purpose of the reserve fund is to cover the expenses during a potential wind down of the program. During the year, interest income of \$23,278 was transferred from unrestricted net assets to the externally restricted net assets related to the Quebec Recycfluo Program Reserve.

13. 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 by fee reductions and the residual funds that could not be applied towards fee reductions was to be disbursed in accordance with the residual funds addendum. The total of these funds were fully distributed as of 31 December 2021.

During the year, SO transferred additional funds of \$585,039, of which \$499,472 was to be distributed to members of the Ontario PaintRecycle Program and \$85,567 was to be distributed to members of the Ontario Pesticides, Solvents and Fertilizers Program. The total of these funds were fully distributed to members as of 31 December 2022.

During the year, 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 2022, the extended Ontario Solvents fee reduction program resulted in a decrease in EHF revenue of \$676,667 (2021 - \$235,576).

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

14. 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 2022.

(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.

(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 2022, cash and accounts receivable of \$201,114 USD and \$164,974 USD (2021 - \$541,242 USD and \$97,818 USD) respectively and accounts payable and accrued liabilities of \$12,275 USD (2021 - \$50,879 USD) has been converted into Canadian dollars. There has been no change to the risk exposure from the prior year.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

14. Financial instruments - Continued

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk. There has been no change to the risk exposure from the prior year.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through amounts held in investments and the reserve. There has been no change to the risk exposure from the prior year.

15. 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.

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 and the California State ThermostatCare 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 2022 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 2022

15. Controlled organization - Continued

PCA PSI

	31 December 2022	31 December 2021 (unaudited)
Financial Position		
Total assets	\$ 4,866,224	\$ 2,413,993
Total liabilities	1,308,165	115,943
Total net assets	3,558,059	2,298,050
	\$ 4,866,224	\$ 2,413,993
	31 December 2022	31 December 2021 (unaudited)
Results of Operations		
Total revenue	\$ 3,393,312	\$ 1,506,927
Total expenses	2,333,196	1,102,530
Excess of revenues over expenses	\$ 1,060,116	\$ 404,397
	31 December 2022	31 December 2021 (unaudited)
Cash Flows		
Cash provided by operating activities	\$ 2,121,950	\$ 560,965

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2022

16. Related party transactions

The Association is related to PCA PSI (Note 15). The following summarizes the related party balances and transactions for the year.

Included in accounts receivable is \$29,779 (2021 - \$18,814) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2023 fiscal year.

Included in revenues is \$270,090 (2021 - \$88,360) 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.

17. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2022 financial statements. As at 1 January 2022, \$1,363,094 was reclassified from unrestricted net assets to externally restricted net assets which represents the amount of PCA funds reserved for the Quebec RecycFluo program. This amount is required to be maintained as an externally restricted reserve fund by the agreement with Recycfluo Quebec (Note 12).