

2018

ANNUAL REPORT



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Board of Directors

Chair

Darrin Noble – Home Hardware | Paint
until June 17, 2019

Vincent Rea – PPG Inc. | Paint
appointed Chair June 17, 2019

Vice Chair

Tim Vogel – Cloverdale Paint | Other Products
until June 20, 2018

Jeffrey Cattanach – The Home Depot | Retail
appointed Vice Chair June 20, 2018

Corporate Secretary

Jason Bernard – The Sherwin-Williams Company | Paint
elected March 6, 2018
appointed June 19, 2018

David Chaulk – Cloverdale Paint | Other Products
elected June 19, 2018

Claude Brosseau – PPG Inc. | Paint
term ended November 5, 2018

Karen Stephenson – Scotts Canada | Other Products

Richard Tremblay – Benjamin Moore & Co | Paint

Wayne Edwards – Electro-Federation | Lighting and Alarms

Dejan Lenasi – Signify Canada Ltd. | Lighting and Alarms

Jules Foisy Lapointe – Lowe's/RONA | Retail

Steve Wolinsky – Rust-Oleum Canada | Other Products
elected June 20, 2018





Letter from the President

As you will see in this report, we have refreshed our brand. We now operate under one consolidated name and look – Product Care Recycling. Please visit our website productcare.org which was completely redesigned and, based on feedback, provides a much improved user experience. The transition to a unified brand positions us for future EPR expansion and improved consumer awareness.

The past year foreshadowed a changing landscape of extended producer responsibility (EPR). In the product stewardship world, all eyes are on Ontario as the metamorphosis of EPR in Ontario proceeds, product group by product group.

Product Care is preparing for the introduction of lighting products to Ontario EPR on July 1, 2020. We operated an interim program for lighting in Ontario in 2015-2016. This experience, together with our existing lighting programs in BC, Manitoba, Quebec and PEI, will facilitate the expansion of our service for this product category to Ontario. Although Product Care has been operating the paint and pesticide/solvent/fertilizer programs in Ontario for several years, the official transition of the municipal hazardous and special waste product group is scheduled for December 31, 2020.

In 2018, we completed the renewal of five-year program plans for BC lights, BC paint/HHW, Manitoba paint/lamps/HHW, Newfoundland and Labrador paint, and Nova Scotia paint. In the case of the BC programs, the renewals are conditional upon the completion of a "service provider compensation consultation" now required of most BC EPR programs. BC has also completed a "gap study" to identify products that could be added to the existing categories.

Following an extended consultation period, Saskatchewan has just introduced regulations requiring EPR for household hazardous waste (HHW) products.

In general, compliance requirements, including performance metrics for our programs, are intensifying. Product Care continues to consult with stakeholders and regulators to identify better ways to serve consumers, achieve regulatory compliance for members and protect the environment.

These challenges are a catalyst for improvements to the efficiency and efficacy of our programs. A prime example is the continued growth of our return-to-retail partnerships, which lead consumers to the participating stores, while enabling Product Care to cost-effectively expand the collection network.

In 2019, we celebrate the 25th anniversary of our first paint recycling program, launched in BC in 1994! A special thank you to Darrin Noble for his steadfast support and inspirational leadership as chair of the board of Product Care for the past four years. Darrin will remain on the board and we welcome Vince Rea as the new chair.

Throughout these changing times, we remain committed to our goal to divert the products we manage from landfills and waterways, ensuring they are managed responsibly and efficiently at their end-of-life. Thanks to the staff, board of directors, members and stakeholders of Product Care Recycling who serve to help us achieve these goals year after year.

Regards,

Mark Kurschner,
President



Letter from the Chair

Since 2015, it has been my pleasure to serve as board Chair of Product Care, an organization that has continuously exhibited its dedication to responsible post-consumer product management and member services. While I will continue to serve as a Director of the board to contribute to the organization's ongoing success, the position of Chair is now held by Vince Rea, of PPG Inc., as of June 18, 2019.

I am fortunate to have spent many years working with Vince on stewardship files with a shared vision to expand program reach and increase diversion. Vince brings a depth of experience that is probably unparalleled in Canada, with exposure to product stewardship through his senior leadership roles in the coatings industry. Vince recognizes the natural synergies between Product Care and retailers working together to diversify Product Care's collection network through return-to-retail locations. I look forward to working alongside Vince, our board of directors, and Product Care's members to see our collection network grow to the benefit of all – retailers, our customers, and Product Care.

After serving four years as the board Chair of Product Care, I reflect on the organization's exponential growth in this short time. We now operate or provide management services for 18 different programs across Canada and the

US. Through our growth and expansion, we have also witnessed significant change, with business as usual no longer the case. In 2018, we saw heightened performance expectations from oversight bodies and changes to the stewardship model in Ontario and we anticipate further changes in the coming years. I am confident that Product Care is well positioned for continued success in this rapidly changing and expanding industry of extended producer responsibility.

During my time as Chair, I have observed an organization that is driven by its mission to provide effective product stewardship solutions, and a team of professional staff who truly live the value of environmental commitment. I would like to take this opportunity to express my sincere thanks to these staff as well as to the members and stakeholders who continuously support and help sustain our mandate to maximize product diversion and to protect our planet.

Regards,

Darrin Noble,
Chair (*term ended June 17, 2019*)

2018 Highlights

Overview

13
programs

9
provinces

4
product categories



662
members' environmental
obligations fulfilled



Launched new brand
and optimized website

Accessibility & Collection



>2,500
collection sites
across Canada



>600
one-day
collection events



~10.6M
litres of paint
recycled



~11.7M
light bulbs
recycled



~96k
smoke alarms
recycled

Consumer Awareness



+52M
media impressions
across Canada



86%
increase in web
traffic compared
to 2017



+1.2M
users reached
via social media
advertising



Paint

Product Overview

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

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

Once collected, paint is sorted by type, colour and quality. Better quality paint is offered to the public free of charge through the PaintShare program described below. Better quality latex paint is reprocessed for sale as recycled paint. Lower quality latex paint is used for energy recovery, as cement or concrete additive, or securely landfilled. Alkyd paint is reprocessed for sale as recycled paint or used in energy recovery. These practices ensure end-of-life paint is managed with the environment in mind, diverting it from Canada's landfills and waterways.

In 2018, Product Care recovered more than 10.6 million litres of paint – enough to paint 95 km², covering a surface area larger than the city of Guelph, Ontario.



PaintShare

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

Household Hazardous Waste

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

Product Care's HHW programs provide responsible management

of these products at the end of their useful life, reducing the burden on our landfills and negative impacts to the environment. The methods to manage the collected products are provided in the individual program sections of this report.

Depending on the province, collection systems for HHW include municipal facilities, bottle depots, private businesses, and recycling organizations. HHW products can be dropped off at more than 300 permanent collection sites in participating provinces, as well as hundreds of one-day collection events.

Lights

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

Fluorescent tubes and compact fluorescent lights use a mercury phosphor technology. Product Care provides responsible management of the mercury and the other materials used in the manufacturing of lights.

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

In 2018, Product Care diverted more than 11 million light bulbs from landfills – enough to light every home in Nova Scotia.

Lighting products included per province:

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



Alarms

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

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

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

The program's growing collection network includes non-profit organizations, retailers, local government facilities, fire

departments, bottle depots and private recycling businesses. In addition, the participation of facilities that collect large volumes of used alarms, such as fire safety organizations, electrical distributors, public institutions and local governments, has contributed to the program exceeding its collection targets.

In 2018, the program diverted more than 96,000 alarms from British Columbia's landfills – equal to 8 CN towers in height.

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 (2018) to the quantity sold in a prior reference year (2015).

Our Vision

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

Our 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.

Our Values

Environmental commitment
Service and member orientation
Continuous improvement
Transparency
Collaboration
Accountability

British Columbia Paint, Household Hazardous Waste (HHW)

Accepted Products

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

Collection

221

Recycling Locations

3,033,240 L

Paint

140,123 L

Flammable Liquids

15,392 L

Pesticides

Recovery Rate

9.7%

Paint

5.6%

Flammable Liquids

11.1%

Pesticides

Public Awareness

60%

Paint 2017

49%

HHW 2017

Finances

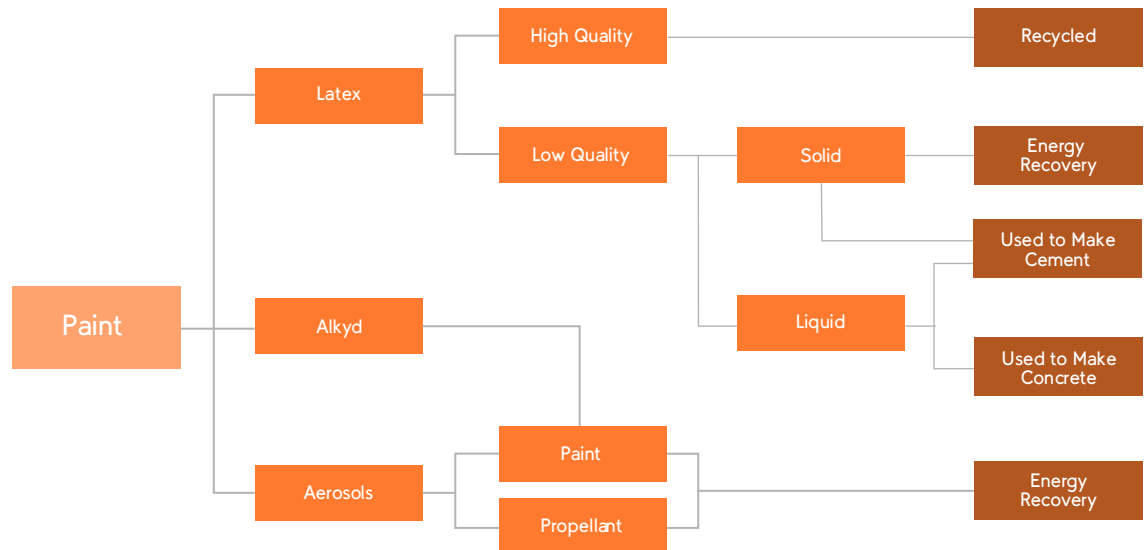
	2018
Revenues	\$ 8,896,118
Program Expenses	
Processing	3,488,376
Collection	1,522,805
Transport	1,178,060
Administration	1,112,120
Communication	42,875
Total Program Expenses	\$ 7,344,236
Excess of Revenues over Expenses for the Year	\$ 1,551,882

British Columbia Paint, HHW

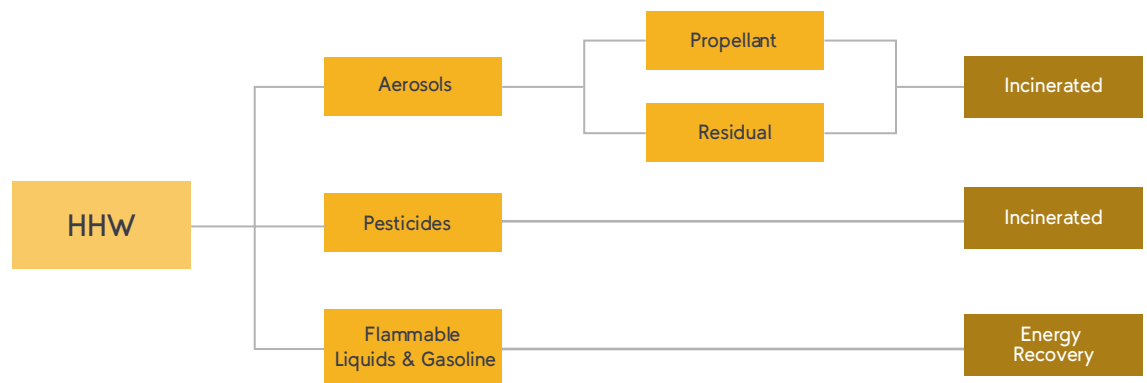
Paint & HHW Product Management

	Reused	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	2.2%	87.7%	10.1%	-	-
Alkyd Paint	-	-	100%	-	-
Flammable Liquids & Gasoline	-	-	100%	-	-
Pesticides	-	-	-	100%	-

Paint Residual Product Management Flowchart



HHW Residual Product Management Flowchart



British Columbia Lights

Accepted Products

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

Collection

442

Recycling Locations

~7,368,000

Units of Lights

~4,000

Kilograms PCB ballasts

~710

Tonnes Residential Fixtures

Public Awareness

55%
2017

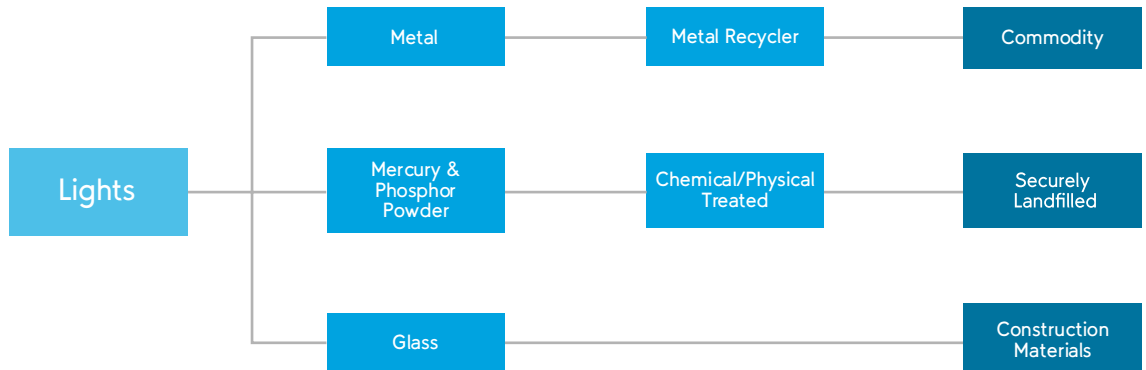
Finances

	2018
Revenues	\$ 5,561,327
Program Expenses	
Processing	3,106,490
Collection	691,154
Transport	309,723
Administration	485,806
Communication	64,325
Total Program Expenses	\$ 4,657,498
Excess of Revenues over Expenses for the Year	\$ 903,829

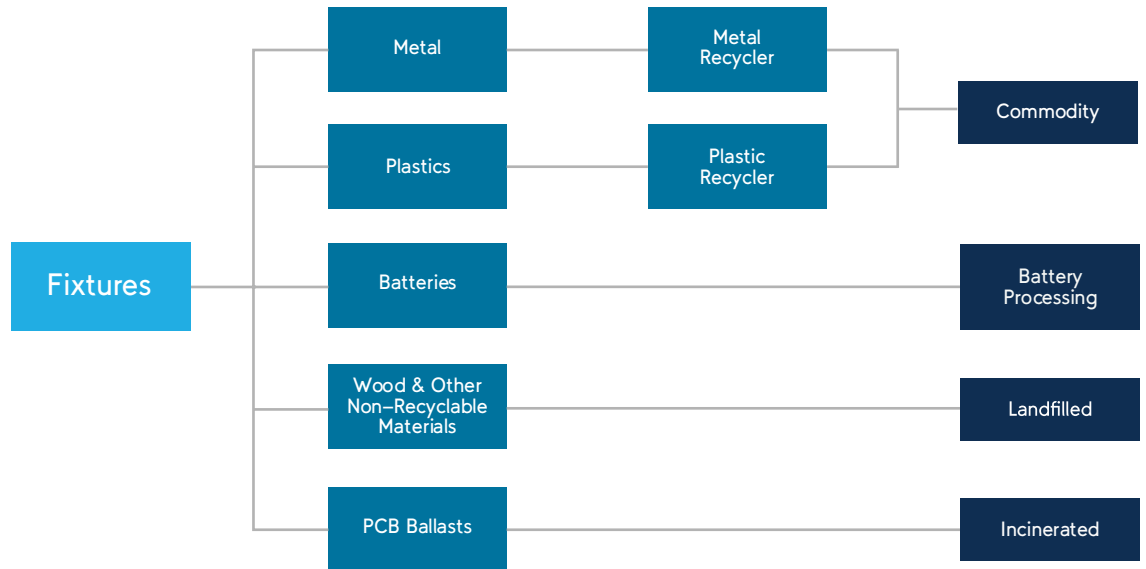


British Columbia Lights

Lights Product Management Flowchart



Fixtures Product Management Flowchart



British Columbia Alarms

Accepted Products

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

Collection

201 Recycling locations **~96,000** Units of Alarms

Public Awareness **42%** 2018

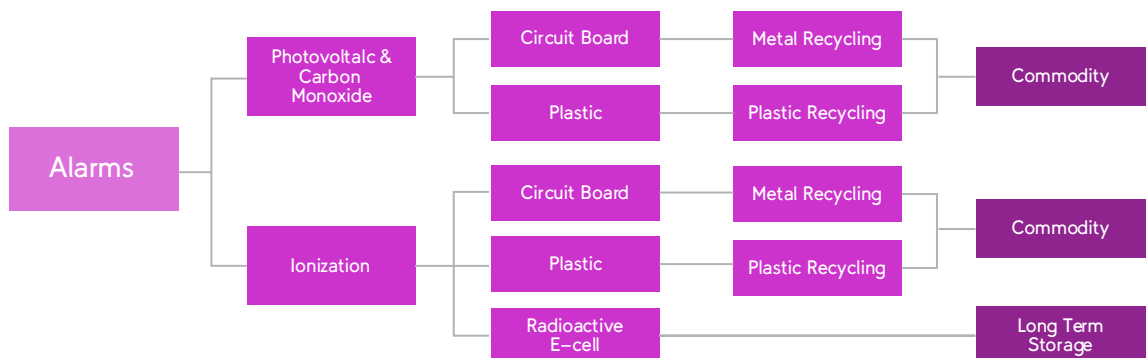
Alarms Product Management

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

Finances

	2018
Revenues	\$ 714,225
Program Expenses	
Processing	303,094
Collection	68,304
Transport	42,681
Administration	42,104
Communication	26,334
Total Program Expenses	\$ 482,517
Excess of Revenues over Expenses for the Year	\$ 231,708

Alarms Product Management Flowchart



Saskatchewan Paint

Accepted Products

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

Collection

72 Recycling Locations
402,661 L Paint

Public Awareness **73%**
2018

Recovery Rate

7.4%

Finances

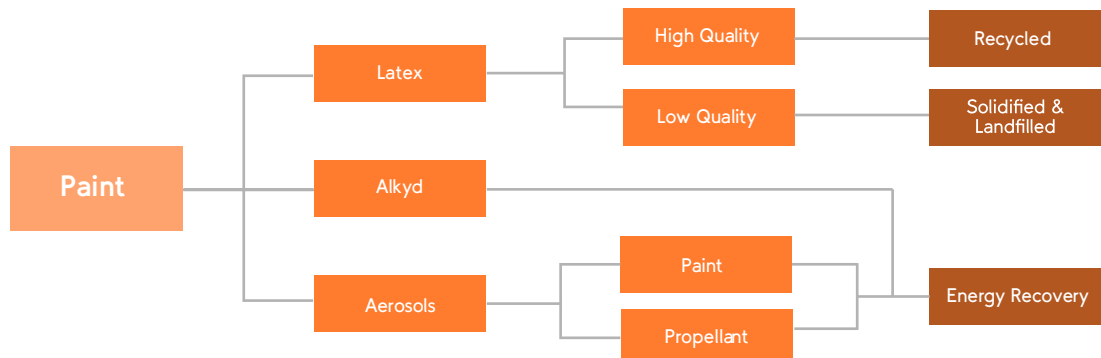
2018

	2018
Revenues	\$ 1,148,000
Program Expenses	
Processing, Collection, Transport	828,000
Administration	72,000
Communication	38,000
Total Program Expenses	\$ 938,000
Excess of Revenues over Expenses for the Year	\$ 209,000

Paint Product Management

18.3% Reused
40.3% Recycled
27.4% Energy Recovery
<0.2% Incinerated
13.8% Solidified & Landfilled

Paint Residual Product Management Flowchart



Manitoba Paint, Household Hazardous Waste, Lights

Accepted Products

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

Collection

105

Recycling Locations

549,771 L

Paint

29,463 L

Toxics including Pesticides

27,967 L

Corrosives

88,458 L

Flammable Liquids/ Gasoline

13,020

Units of Physically Hazardous Product

~179,000

Units of Lights

Recovery Rate

7.6%

Paint

13.3%

Flammable Liquids/Gasoline

16.5%

Toxics

15.6%

Corrosives

6.7%

Physically Hazardous Products

Public Awareness

51%

Paint 2017

48%

HHW 2017



Manitoba Paint, HHW, Lights

Paint Product Management

	Reused	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Latex Paint	-	37.9%	-	-	62.1%
Alkyd Paint	-	-	100%	-	-

HHW Product Management

	Energy Recovery	Incinerated	Chemically/Physically Treated & Landfilled
Flammable Liquids/ Gasoline	100%	-	-
Pesticides	-	100%	-
Corrosives	-	-	100%
Toxics	100%	-	-
Physically Hazardous	100%	-	-

Finances

	2018
Revenues	\$ 1,611,349
Program Expenses	
Processing	708,132
Collection	443,715
Transport	391,783
Administration	300,456
Communication	48,449
Recovery*	(15,507)
Total Program Expenses	\$ 1,877,028
Deficiency of Revenues over Expenses for the Year	\$ (265,679)

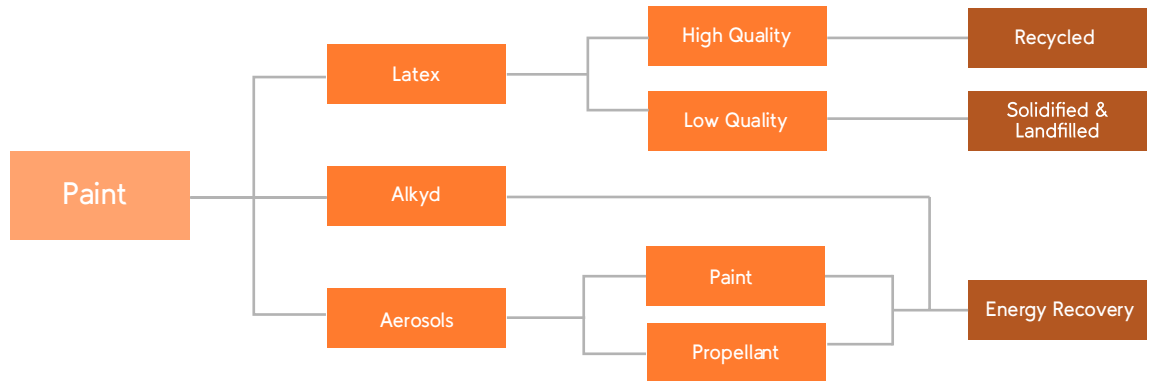
*Cancelled regulatory charges



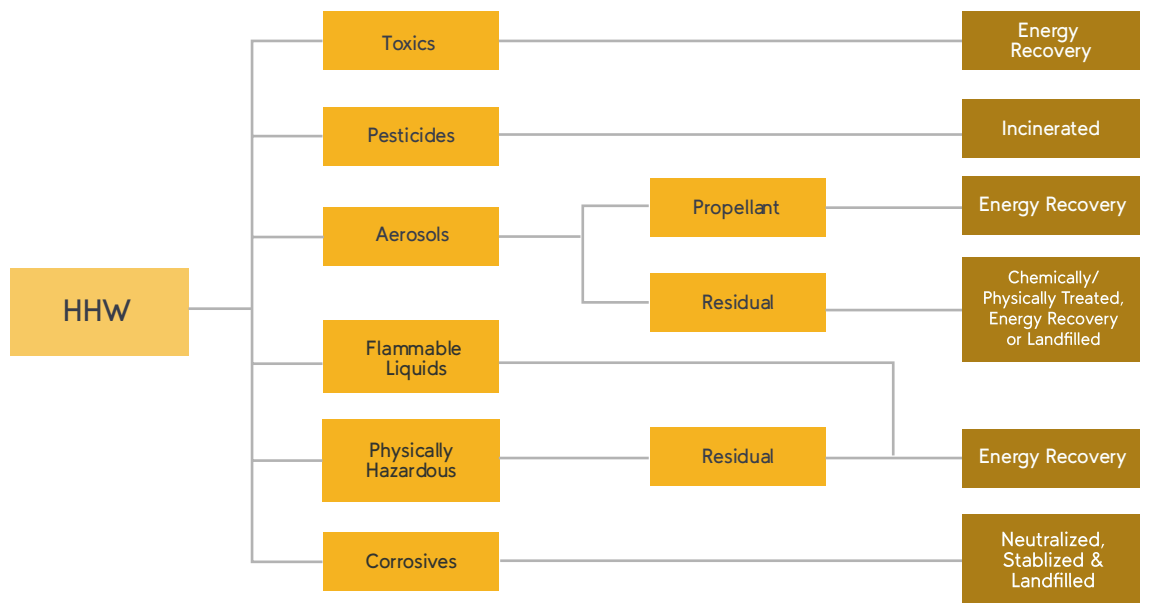


Manitoba Paint, HHW, Lights

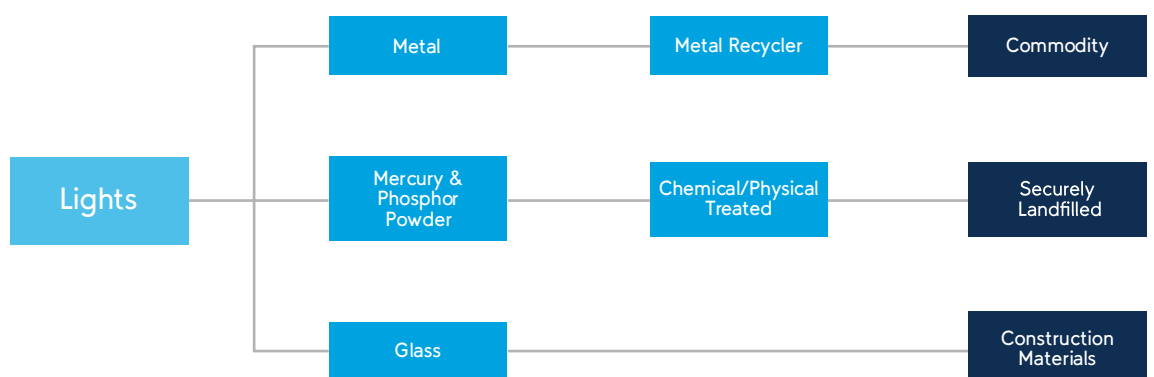
Paint Residual Product Management Flowchart



HHW Residual Product Management Flowchart



Lights Product Management Flowchart



Ontario Paint

Accepted Products

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

Collection

418

Permanent Recycling Locations

311

Collection Events

9,926

Tonnes Paint

Recovery Rate

11.2%

Public Awareness

55%
2017

Paint Product Management

	Recycled	Energy Recovery	Solidified & Landfilled
Latex Paint	66%	20%	14%
Alkyd Paint	73%	24%	3%
Aerosols	33%	67%	-

Finances

2018

Revenues	\$ 17,847,687
Program Expenses	
Processing	5,802,928
Collection*	6,127,541
Transport	1,908,409
Administration	1,585,075
Communication	42,418
Regulatory	293,749
Total Program Expenses	\$ 15,760,120
Excess of Revenues over Expenses for the Year	\$ 2,087,567

Financials are inclusive of paint and coatings, pesticides, solvents and fertilizers
*Collection includes municipal events



Ontario Paint

Paint Residual Product Management Flowchart





Ontario Pesticides, Solvents, Fertilizers (PSF)

Accepted Products

- Pesticides - domestic pesticides
- Solvents - Liquids intended to dissolve or thin a compatible substance and:
 1. Are comprised of 10% or more of water-immiscible liquid hydrocarbons, including halogen-substituted liquid hydrocarbons; or
 2. Are flammable as described in part [c] of "Municipal Hazardous Waste" in Ontario Reg. 542; or
 3. All of the above
- Fertilizers - Packaged products regulated under the Fertilizers Act [Canada]

Collection

97

Permanent Recycling
Locations

311

Collection Events

248

Tonnes Solvents

23

Tonnes Fertilizer

18

Tonnes Pesticides

Recovery Rate

5.4%

**Public
Awareness**

52%
2017

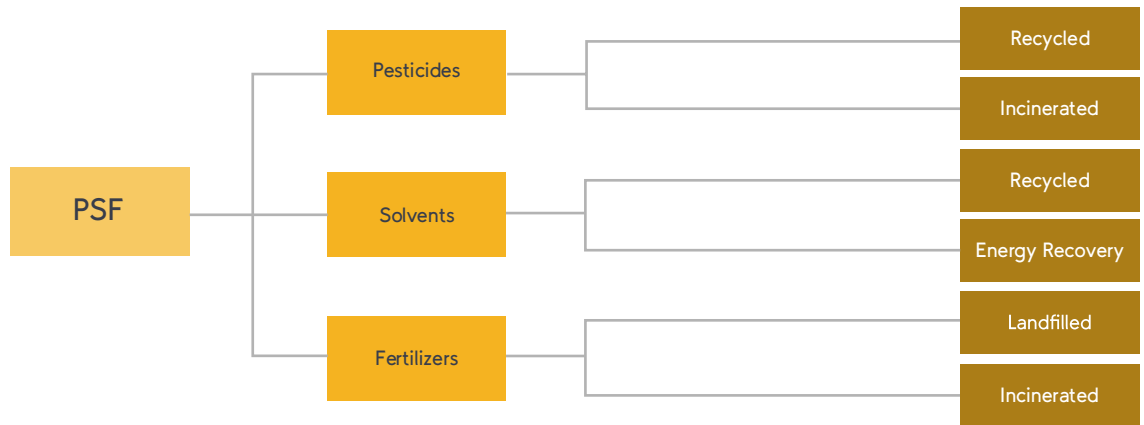


Ontario PSF

PSF Product Management

	Recycled	Energy Recovery	Incinerated	Solidified & Landfilled
Pesticides	1%	-	99%	-
Solvents	3%	97%	-	-
Fertilizers	-	-	20%	80%

PSF Residual Product Management Flowchart



Québec RecycFluo



Accepted Products

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

Collection

859
Recycling Locations

~4,116,000
Units of Lights

Recovery Rate

44%
Fluorescent Tubes

36%
HIDs

8%
CFLs

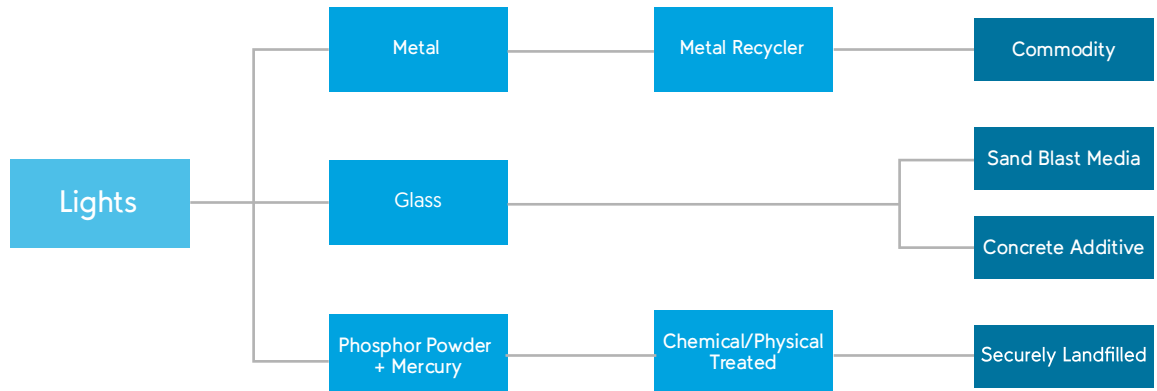
Public Awareness

34%
2018

Finances

	2018
Revenues	\$ 3,810,151
Program Expenses	
Processing	1,570,843
Collection	341,477
Transport	749,801
Administration	544,937
Communication	275,403
Regulatory	660,718
Total Program Expenses	\$ 4,143,179
Deficiency of Revenues over Expenses for the Year	\$(333,028)

Lights Product Management Flowchart



Prince Edward Island Paint

Accepted Products

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

Collection

6 Recycling Locations **91,803 L** Paint

Recovery Rate

9.4%

Paint Product Management

0.6% Reused **76.3%** Recycled
9.4% Energy Recovery **13.7%** Solidified & Landfilled

Finances

	2018
Revenues	\$ 454,000
Program Expenses	
Processing, Collection, Transport	290,000
Administration	31,000
Communication	13,000
Total Program Expenses	\$ 335,000
Excess of Revenues over Expenses for the Year	\$120,000

Financials are rounded to the nearest thousand.

Public Awareness

47%
2015



Paint Residual Product Management Flowchart

Prince Edward Island Lights

Accepted Products

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

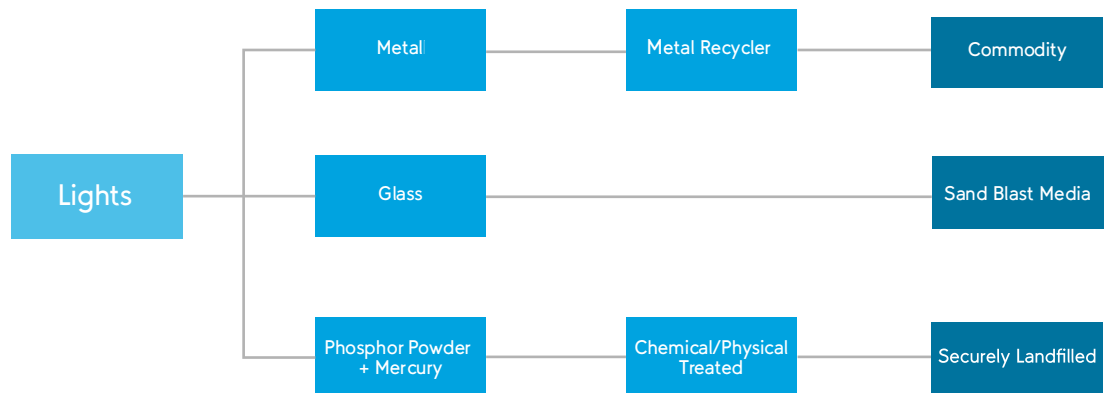
Collection

7 Recycling Locations **~111,000** Units of Lights

Public Awareness

32%
2015

Lights Product Management Flowchart



Finances

	2018
Revenues	\$ 84,000
Program Expenses	
Processing	34,000
Collection	3,000
Transport	14,000
Administration	5,000
Communication	2,000
Regulatory	5,000
Total Program Expenses	\$ 67,000
Excess of Revenues over Expenses for the Year	\$ 17,000

Financials are rounded to the nearest thousand.

New Brunswick Paint

Accepted Products

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

Collection

62 Recycling Locations **303,546 L** Paint

Recovery Rate

6.7%

Paint Product Management

0.1% Reused **71.9%** Recycled
8.3% Energy Recovery **19.7%** Solidified & Landfilled

Public Awareness

66%
2017

Paint Residual Product Management Flowchart



Finances

	2018
Revenues	\$ 1,148,995
Program Expenses	
Processing	519,072
Collection	98,044
Transport	168,455
Administration	100,451
Communication	44,457
Regulatory	82,220
Total Program Expenses	\$ 1,012,699
Excess of Revenues over Expenses for the Year	\$ 136,296

Nova Scotia Paint

Accepted Products

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

Collection

100 Recycling Locations **477,752 L** Paint

Recovery Rate

8.6%

Paint Product Management

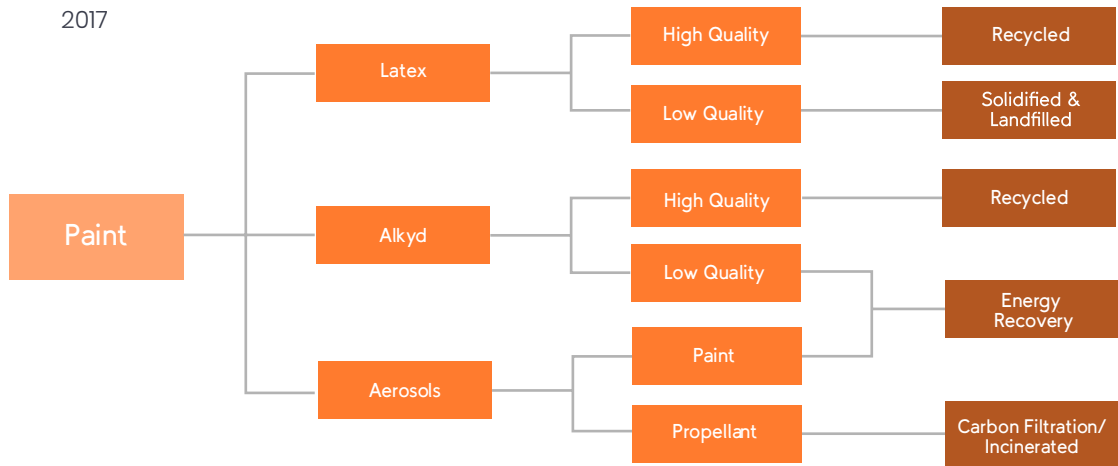
1.2% Reused **72.1%** Recycled
8.3% Energy Recovery **18.4%** Solidified & Landfilled

Finances

	2018
Revenues	\$1,383,642
Program Expenses	
Processing	680,431
Collection	174,692
Transport	79,734
Administration	164,480
Communication	16,158
Total Program Expenses	\$1,115,495
Excess of Revenues over Expenses for the Year	\$268,147

Public Awareness

68%
2017



Paint Residual Product Management Flowchart

Newfoundland & Labrador Paint

Accepted Products

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

Collection

66 Recycling Locations **168,426 L** Paint

Recovery Rate

4.7%

Paint Product Management

4.6% Reused **71.1%** Recycled
18.8% Energy Recovery **5.5%** Solidified & Landfilled

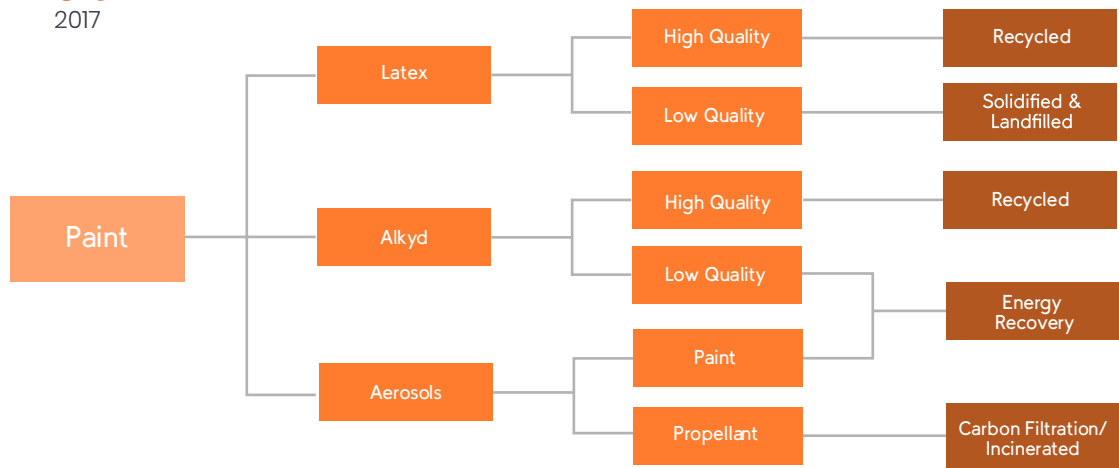
Finances

	2018
Revenues	\$ 786,455
Program Expenses	
Processing	193,651
Collection	71,393
Transport	238,194
Administration	57,290
Communication	14,552
Regulatory	47,589
Total Program Expenses	\$ 622,669
Excess of Revenues over Expenses for the Year	\$ 163,786

Public Awareness

58%
2017

Paint Residual Product Management Flowchart



PRODUCT CARE ASSOCIATION OF CANADA

FINANCIAL STATEMENTS

31 DECEMBER 2018

PRODUCT CARE ASSOCIATION OF CANADA
Financial Statements

For the year ended 31 December 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

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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 2018, 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 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the various Annual Reports that the Association issues for its provincial recycling programs (the "Annual Reports").

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained certain sections of the Association's Annual Reports prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.



INDEPENDENT AUDITORS' REPORT - Continued

The Annual Reports are expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITORS' REPORT - Continued

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
30 April 2019

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 16,787,200	\$ 10,440,147
Accounts receivable	3,347,048	3,694,871
Prepaid expenses and deposits	228,146	556,886
	20,362,394	14,691,904
Forgivable loans (Note 3)	451,786	412,888
Term deposits (Note 4)	14,252,670	14,000,000
Reserve - at market value (Note 5)	13,929,627	14,631,070
Tangible capital assets (Note 6)	9,186,356	9,446,786
Intangible assets (Note 7)	263,495	414,492
	\$ 58,446,328	\$ 53,597,140

Liability

Current		
Accounts payable and accrued liabilities	\$ 6,845,011	\$ 6,827,997

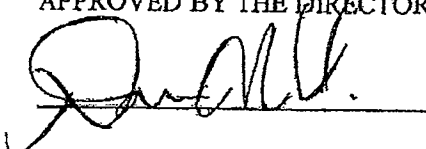
Commitments (Note 8)

Contingencies (Note 12)


Members' Equity

Unrestricted	28,221,839	22,276,795
Invested in tangible capital and intangible assets	9,449,851	9,861,278
Reserve - internally restricted (Note 5)	13,929,627	14,631,070
	51,601,317	46,769,143
	\$ 58,446,328	\$ 53,597,140

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 2018

	Unrestricted	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve	Total 2018	Total 2017
Net assets - beginning of year	\$ 22,276,795	\$ 9,861,278	\$ 14,631,070	\$ 46,769,143	\$ 41,054,525
Excess of revenues over expenses for the year	4,832,174	-	-	4,832,174	5,714,618
Transfer from invested in tangible capital and intangible assets, net	411,427	(411,427)	-	-	-
Transfer from reserve	701,443	-	(701,443)	-	-
Net assets - end of year	\$ 28,221,839	\$ 9,449,851	\$ 13,929,627	\$ 51,601,317	\$ 46,769,143

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 2018

	2018	2017
Revenues	\$ 44,949,950	\$ 44,915,116
Expenses		
Operating	35,969,708	36,881,912
General and administration	3,744,782	3,570,551
General communications	189,801	136,843
	39,904,291	40,589,306
Excess of revenues over expenses from operations	5,045,659	4,325,810
Other income		
Unrealized loss (gain) on investments	1,484,237	(479,271)
Loss (gain) on sale of marketable securities	397	(1,863)
Gain on sale of capital assets	-	(750)
Interest income	(487,958)	(266,963)
Investment income	(783,191)	(639,961)
	213,485	(1,388,808)
Excess of revenues over expenses for the year	\$ 4,832,174	\$ 5,714,618

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 2018

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 4,832,174	\$ 5,714,618
Items not involving cash		
Gain on sale of tangible capital assets	-	(750)
Loss (gain) on sale of marketable securities	397	(1,863)
Market value adjustment to reserve	1,484,237	(479,271)
Amortization	576,075	567,893
Loans forgiven	56,022	35,330
	6,948,905	5,835,957
Changes in non-cash working capital balances		
Accounts receivable	347,823	591,207
Prepaid expenses and deposits	328,740	(239,950)
Accounts payable and accrued liabilities	17,013	1,146,304
	7,642,481	7,333,518
Investing activities		
Purchase of term deposits	(252,670)	(5,000,000)
Transfer to reserve	(783,191)	(639,961)
Purchase of capital assets - net	(164,647)	(322,327)
Proceeds on disposal of tangible capital assets	-	750
	(1,200,508)	(5,961,538)
Financing activity		
Issuance of forgivable loans	(94,920)	(63,160)
	(94,920)	(63,160)
Net increase in cash and cash equivalents	6,347,053	1,308,820
Cash and cash equivalents - beginning of year	10,440,147	9,131,327
Cash and cash equivalents - end of year	\$ 16,787,200	\$ 10,440,147
Cash and cash equivalents consists of:		
Cash	\$ 13,926,097	\$ 2,238,394
Savings accounts	2,861,103	8,201,753
	\$ 16,787,200	\$ 10,440,147

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 2018

1. Nature of operations

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

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

2. Summary of significant accounting policies

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

(a) Financial instruments

(i) Measurement of financial instruments

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

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association’s financial assets measured at fair value include the reserve which is comprised of various investments in mutual funds.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

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:

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

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

2. Summary of significant accounting policies - Continued

(d) Intangible assets

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

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

(g) Use of estimates

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

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

2. Summary of significant accounting policies - Continued

(h) Foreign exchange

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

3. Forgivable loans

During the year, the Association has advanced funds in the form of forgivable loans to various organizations for the development of collection facilities for specific programs (Note 8(b)). Providing that the collection facility commences operations and meets the various criteria in the collection site agreement, these funds and any related interest are forgiven at the rate of 10% or 30% of the original amount of the loan on each anniversary of the commencement of the collection site's operations. If the development of the collection facility is not completed, or the collection facility does not commence operations, the amounts advanced are repayable to the Association plus interest at 8% per annum.

	2018		2017
Balance - beginning of year	\$ 412,888	\$	385,058
Funds advanced during the year	94,920		63,160
Loans forgiven during the year	(56,022)		(35,330)
	\$ 451,786	\$	412,888

4. Term deposits

As at 31 December 2018, the Association held term deposits totalling \$14,252,670 (2017 - \$14,000,000) with maturity dates ranging from 18 July 2019 to 28 November 2020 and bearing interest at 1.75% to 2.25% per annum.

5. Reserve

The reserve fund was established to (1) respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program and (2) to fund the ongoing operations, future program expenses, potential penalties and various other projects of the Association from time to time. The amount is internally restricted and expenditures from the reserve are at the discretion of the Board of Directors. Transfers to the reserve fund are made upon resolutions passed by the Board of Directors. During the year the transfers to the fund were limited to the income earned on the investments in the reserve fund.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

5. Reserve - Continued

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, \$701,443 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized loss of \$1,484,237 at 31 December 2018, realized investment income and loss of \$782,794. In the prior year, \$1,121,095 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of \$479,271 at 31 December 2017 and realized investment income and gain of \$641,824.

6. Tangible capital assets

	Cost	Accumulated Amortization	2018 Net	2017 Net
Land	\$ 3,403,983	\$ -	\$ 3,403,983	\$ 3,403,983
Building	5,900,290	464,100	5,436,190	5,679,276
Depot equipment	2,099,661	1,759,075	340,586	361,137
Office equipment	5,551	1,388	4,163	-
Leasehold improvements	501,296	499,862	1,434	2,390
	\$ 11,910,781	\$ 2,724,425	\$ 9,186,356	\$ 9,446,786

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

Included in operating expenses and general and administrative expenses is a total of \$425,078 (2017 - \$416,896) of amortization expense.

7. Intangible assets

	Cost	Accumulated Amortization	2018 Net	2017 Net
ERP Software	\$ 754,986	\$ 541,491	\$ 213,495	\$ 364,492
Quebec RecycFluo Program	50,000	-	50,000	50,000
	\$ 804,986	\$ 541,491	\$ 263,495	\$ 414,492

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

7. Intangible assets - Continued

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 2018 fiscal year.

Included in operating expenses and general and administrative expenses is a total of \$150,997 (2017 - \$150,997) of amortization expense.

8. Commitments

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

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

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

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

2019	\$ 308,387
2020	285,742
2021	88,115
2022	52,900
2023	<u>52,900</u>
	<u>\$ 788,044</u>

- (b) The Association has committed up to \$1,435,000 to be used for the development of collection facilities for certain programs. These funds are to be disbursed at the discretion of the Association based on an application process from qualifying organizations. As of 31 December 2018, \$563,332 of loans have been disbursed relating to this commitment (Note 3) and \$111,546 of loans have been forgiven.
- (c) At year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$1,101,617 (2017 - \$760,238) which will be incurred during 2019.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

9. Financial instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at the statement of financial position date, 31 December 2018.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its cash and cash equivalents, term deposits, accounts receivable and forgivable loans. Cash, cash equivalents and term deposits are in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. Concentrations of credit risk with respect to the forgivable loans are limited to the extent that a collection facility who has received a forgivable loan does not become operational and the loan becomes repayable to the Association (Note 3). The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is not exposed to this risk due to its strong working capital position. There has been no change to the risk exposure from the prior year.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association has investments denominated in U.S. dollars included in the reserve (Note 5). As such, these investments are exposed to foreign exchange fluctuations.

Certain assets and liabilities are exposed to foreign exchange fluctuations due to transactions denominated in foreign currency. As at 31 December 2018, cash and accounts receivable of \$217,748 USD and \$88,600 USD (2017 - \$160,286 USD and \$129,279 USD) respectively and accounts payable and accrued liabilities of \$35,890 USD (2017 - \$55,466 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 2018

9. Financial instruments - Continued

(e) Interest rate risk

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

(f) Other price risk

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

10. Controlled organization

The Association controls PCA Product Stewardship Inc. ("PCA PSI") as it is the sole member of PCA PSI and has the right to appoint the majority of PCA PSI's board of directors. The Association and PCA PSI have certain members of the Board of Directors in common.

PCA PSI was created to develop and manage programs in the USA that allow members to easily satisfy state regulations around the end of life handling of various products produced and sold by industry. PCA PSI is currently managing the Washington State LightRecycle program.

PCA PSI has not been consolidated in the Association's financial statements. Financial statements of PCA PSI are prepared in accordance with US generally accepted accounting principals FASB ASC 958, not-for-profit entities. The financial summary as at 31 December 2018 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 2018

10. Controlled organization - Continued

PCA PSI

	31 December 2018	31 December 2017 (unaudited)
Financial Position		
Total assets	\$ 1,260,856	\$ 648,299
Total liabilities	231,770	195,895
Total net assets	1,029,086	452,404
	\$ 1,260,856	\$ 648,299
	31 December 2018	31 December 2017 (unaudited)
Results of Operations		
Total revenue	\$ 1,965,708	\$ 1,315,468
Total expenses	1,440,115	1,676,631
Excess (deficiency) of revenues over expenses	\$ 525,593	\$ (361,163)
	31 December 2018	31 December 2017 (unaudited)
Cash Flows		
Cash provided by (used in) operating activities	\$ 525,632	\$ (307,713)
Cash used by investing activities	-	-

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2018

11. Related party transactions

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

Included in accounts receivable is \$13,785 (2017 - \$14,943) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2019 fiscal year.

Included in revenues is \$101,993 (2017 - \$124,461) charged to PCA PSI for administrative expenses.

These transactions are in the normal course of operations and have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Contingencies

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

2015	\$ 284,255
2016	440,901
2017	551,925
2018	<u>650,581</u>
	<u>\$ 1,927,662</u>