Appendix B:

Financial Report & Independent Auditors Report

British Columbia Used Oil Management Association

Financial Statements
December 31, 2022

KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITOR'S REPORT

To the Members of British Columbia Used Oil Management Association

Opinion

We have audited the financial statements of British Columbia Used Oil Management Association (the Association), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of changes in net assets for the year then ended
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Association as at December 31, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

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.

Auditor's 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 the 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.

- 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 auditor's 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
April 25, 2023

British Columbia Used Oil Management Association

Statement of Financial Position

As at December 31, 2022

	2022 $	2021 $
Assets		
Current assets		
Cash	740,785	920,472
Accounts receivable (note 3)	4,713,092	4,463,774
Short-term investments (note 4)	9,885,627	10,617,070
Prepaid expenses	14,848	11,312
	15,354,352	16,012,628
Property and equipment (note 5)	108,277	159,836
	15,462,629	16,172,464
Liabilities		
Current liabilities		
Return incentives and return collection facilities incentives payable	1,658,848	1,737,719
Accounts payable and accrued liabilities (note 6)	269,748	243,972
	1,928,596	1,981,691
Net Assets		
Unrestricted	3,535,656	3,385,530
Internally restricted (note 7)	9,890,100	10,645,407
Invested in property and equipment	108,277	159,836
	13,534,033	14,190,773
	15,462,629	16,172,464

Commitments (note 8)

Approved by the Board of Directors

_________________________ Director _________________________ Director

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

British Columbia Used Oil Management Association

Statement of Changes in Net Assets

For the year ended December 31, 2022

	Unrestricted $	Internally restricted $	Invested in property and equipment $	Total $
Balance – December 31, 2020	3,411,273	10,801,461	175,870	14,388,604
Deficiency of revenue over expenditures for the year	(154,663)	-	(43,168)	(197,831)
Purchase of property and equipment	(27,134)	-	27,134	-
Fund transfer (note 7)	156,054	(156,054)		
Balance – December 31, 2021	3,385,530	10,645,407	159,836	14,190,773
Deficiency of revenue over expenditures for the year	(605,181)	-	(51,559)	(656,740)
Purchase of property and equipment	-	-	-	-
Fund transfer (note 7)	755,307	(755,307)	-	-
Balance – December 31, 2022	3,535,656	9,890,100	108,277	13,534,033

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

British Columbia Used Oil Management Association

Statement of Operations

For the year ended December 31, 2022

	2022 $	2021 $
Revenue		
Environmental handling charges	16,546,700	15,580,458
Investment (loss) income (note 4)	(755,308)	843,968
Other income	41,760	11,767
Registration fees	3 ,000	1,800
	15,836,152	16,437,993
Expenditures		
Program costs		
Return Incentives	13,538,222	13,945,547
Communications and public relations	670,639	638,967
Depot infrastructure	377,483	461,325
Return collection facility operations	204,704	175,331
Management and administration contracts (note 10)	155,005	132,276
Legal fees (note 10)	130,366	80,142
Technology support and investment	119,198	122,115
Consulting	70,653	70,942
Compliance reviews	60,284	35,832
	15,326,554	15,662,477
Administrative costs		
Management and administration contracts (note 10)	576,129	520,495
Legal fees (note 10)	178,995	140,936
Office and general expenses	112,040	104,782
Board expenses	103,007	46,489
Rent	90,307	62,477
Financial audit fees	54,300	55,000
Amortization	51,560	43,168
	1,166,338	973,347
	16,492,892	16,635,824
Deficiency of revenue over expenditures for the year	(656,740)	(197,831)

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

British Columbia Used Oil Management Association

Statement of Cash Flows

For the year ended December 31, 2022

	2022 $	2021 $
Cash from (used in) operating activities		
Deficiency of revenue over expenditures	(656,740)	(197,831)
Items not involving cash		
Amortization	51,559	43,168
Unrealized loss (gain) on investments	731,443	(466,214)
	126,262	(620,877)
Changes in non-cash operating working capital		
Increase in accounts receivable	(249,318)	(320,371)
(Increase) decrease in prepaid expenses	(3,536)	16,125
Increase in accounts payable and accrued liabilities	25,776	11,508
Increase (decrease) in return incentives payable	(78,871)	184,676
	(179,687)	(728,939)
Cash from (used in) investing activities		
Proceeds on maturity of investments	-	4,711,239
Purchases of investments	-	(4,792,322)
Purchase of property and equipment	-	(27,134)
	-	(108,217)
Change in cash	(179,687)	(837,156)
Cash – beginning of year	920,472	1,757,628
Cash – end of year	740,785	920,472

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

1 Authority and purpose

The British Columbia Used Oil Management Association ("the Association") was incorporated under the Society Act of the Province of British Columbia on March 18, 2003 and commenced active operations effective July 1, 2003. It was formed to establish and administer a waste minimization and recycling program under the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97. In 2004, the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97 was repealed and replaced by the Recycling Regulation, B.C. Reg. 449/2004. As a not-for-profit organization, the Association is exempt from income taxes, provided the requirements of Section 149(1)(l) of the Income Tax Act (Canada) continue to be met.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The Association's significant accounting policies are as follows:

a) Revenue recognition

The Association follows the deferral method of accounting for contributions. The Association recognizes environmental handling charges ("EHC") when the lubricating oil, oil filters and oil containers are first sold by a registrant and when there is reasonable assurance of collection. Included in EHC revenue are amounts owed to the Association for unremitted EHC fees identified by the Association's compliance review process. Amounts identified by the compliance review are recognized as revenue in the year in which the compliance review is completed.

The Association has internally restricted funds in investments to maintain sufficient cash resources for operational needs. Investment income earned on these funds is recognized as revenue in the year it is earned.

b) Return incentives and return collection facilities incentives

Return incentives ("RI") and return collection facilities incentives ("RCF") are recognized as incurred in the year when the lubricating oil and antifreeze materials are delivered to a registered processor's facility by a registered collector and completed claim forms are received and accepted by the Association.

c) Cash

Cash includes cash on deposit with its financial institutions.

d) Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Computer software	5 years
Furniture and fixtures	5 years
Leasehold Improvements	5 years

Assets are not amortized until available for use. When a property and equipment no longer has any long-term service potential to the Association or the value of future economic benefits is less than net carrying amount, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

e) Financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets. Transaction costs on financial instruments are recognized at fair value when incurred.

The Association's financial assets include cash, accounts receivable and investments. Cash and accounts receivable are initially recorded at fair value and subsequently accounted for at amortized cost using the effective interest rate method. Investments in guaranteed investment certificates are recorded at amortized cost and other investments are recorded at fair value. Unrealized gains and losses, dividends and interest income are included as investment income in the statement of operations. The Association's financial liabilities include RI and RCF incentives payable and accounts payable and accrued liabilities. All financial liabilities are initially measured at fair value, and subsequently accounted for at amortized cost using the effective interest rate method.

All derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. The Association has determined that it does not have any derivatives and has not entered into any hedge transactions.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Items subject to estimates and assumptions include the estimated useful lives of property and equipment, collectability of accounts receivable, estimates of return incentives and return collection facilities incentives paid for ineligible containers, and accruals for EHC fees not submitted to the Association by the registrant until the following year. Actual results could differ from these estimates.

g) Allocated expenses

Expenses relating to management and administration contracts are allocated between program costs and administrative costs as noted below. Expenses relating to legal fees are allocated between program costs and administrative costs as noted below unless specifically related to a program or administrative activity. The Association allocates these expenses by determining management's best estimate of resources spent on program activities and administration activities each year.

	2022 %	2021 %
Management and administration contracts		
Executive director contract		
Program costs	20	20
Administrative costs	80	80
Other contract staff		
Program costs	20	20
Administrative costs	80	80
Legal fees		
Program costs	20	20
Administrative costs	80	80

British Columbia Used Oil Management Association

Notes to Financial Statements

December 31, 2022

3 Accounts receivable

	2022 $	2021 $
EHC accruals	4,124,086	4,233,554
Other accounts receivable	498,358	121,684
GST receivable	90,648	120,348
Allowance for doubtful accounts	-	(11,812)
Total	4,713,092	4,463,774

4 Short-term investments

The Association has funds invested in Canadian and International equities and guaranteed short-term investment certificates (GIC) with fixed interest rates maturing as follows:

	2022 $	2021 $
Investments at fair value		
PH&N High Yield Bond (Cost - $327,314)	297,609	319,622
Fidelity Global Asset Allocation Fund (Cost - $1,996,453)	2,016,338	2,250,717
Dynamic Preferred Yield Class Sr Fund (Cost - $825,202)	783,621	965,375
RBC Core Plus Bond Pool Fund (Cost - $2,014,574)	1,766,874	1,953,027
Fidelity Asset Allocation Private Pool (Cost - $1,268,137)	1,453,262	1,566,988
Harvest Healthcare (Cost - $73,615)	82,200	88,400
Fidelity Market Neutral Alternative Fund (Cost - $900,000)	883,838	839,070
Fidelity Global Innovators (Cost - $313,756)	219,108	310,767
Fidelity Canadian Large Cap Fund (Cost - $1,187,509)	1,373,274	1,192,332
Fidelity Global Growth & Value Fund (Cost - $719,175)	1,009,503	1,130,772
	9,885,627	10,617,070

Investment income is comprised of the following:

	2022 $	2021 $
Interest income	-	8,311
Dividend income	49,612	10,158
(Loss) gain on equity investments	(731,444)	899,634
Investment fees paid	(73,476)	(74,135)
	(755,308)	843,968

The comparative figures have been reclassified to be consistent with the current year classifications.

5 Property and equipment

			2022	2021
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer software	197,750	100,980	96,770	136,320
Furniture & fixtures	19,748	13,165	6,583	17,115
Leasehold Improvements	7,386	2,462	4,924	6,401
	224,884	116,607	108,277	159,836

6 Accounts payable and accrued liabilities

Included in accounts payable are government payroll remittances payable of $2,932 (2021 - $3,639) related to payroll remittances on Directors' fees and Staff salaries.

7 Internally restricted net assets

The Board of Directors has established a reserve fund. The purpose of the reserve fund is to cover the costs of the following: winding up the Association's programs; ensuring there are sufficient cash resources to meet operational needs; ensuring there are sufficient cash resources to fund any unanticipated changes to the Association's programs and mandate; and to cover the cost of any unforeseen claims or events.

Excess revenue over expenditures not required to cover the cost of ongoing programs may be allocated to the reserve fund as determined by the Board of Directors. In addition, the Board of Directors has targeted that the reserve fund be maintained at an amount equivalent to 12 months of the Association's expenses and contractual commitments. As of December 31, 2022, that target had not been reached.

8 Commitments

Under the terms of a financial services and use agreements expiring August 2023 and additional agreement expiring August 31, 2023, the Association is charged a fee for provision of financial administration services of various staff.

The Association office lease agreement expires April 30, 2025. The Association currently subleases part of the office space to offset its net cost. The commitment noted below is before the sublease amounts.

The estimated minimum annual payments required under these agreements until expiry are as follows:

	Contract services $	Facilities $	Total $
2023	460,324	143,795	604,119
2024	-	147,564	147,564
2025	-	147,564	147,564
	460,324	438,923	899,247

9 Ineligible containers

The RI paid for used oil containers may include payments for ineligible containers from related products such as windshield washer fluid and fuel or oil additives. Containers for these products are currently excluded from the Association's program.

Since the containers are generally made of the same plastic as used oil containers, there is limited economic or environmental benefit in separating these containers from the used oil containers waste stream. There are also additional costs related to segregating these materials. On account of these factors, the Association has elected not to strictly enforce the removal of these containers in RI payments.

Based on studies performed by independent consultants, the Association has determined that the percentage of ineligible containers is approximately 10% (2021 - 10%) by weight. This percentage is used to estimate the amount spent on ineligible plastics. The estimated amount for the year ended December 31, 2022, is $333,000 (2021- $330,000).

10 Allocated expenses

For the years ended December 31, 2022 and 2021, total expenses allocated between program costs and administrative costs were as follows:

December 31, 2022	Program costs $	Administrative costs $	Total $
Management and administration contracts	155,005	576,129	731,134
Legal fees	130,366	178,995	309,361

December 31, 2021	Program costs $	Administrative costs $	Total $
Management and administration contracts	132,276	520,495	652,771
Legal fees	80,142	140,936	221,078

11 Financial risk management

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Association is exposed to credit risk with respect to accounts receivable and investments. However, the Association is not exposed to any significant concentration of credit risk due to its large registrant base. Management monitors its accounts receivable regularly and provides for any amounts that are not collectible in the allowance for doubtful accounts (note 3). The Association manages credit risk for its investments by maintaining them with Chartered Schedule I banking institutions and ensuring they are invested in accordance with the Association’s Statement of Investment Policies and Procedures.

There has been no change to the risk exposure from the prior year.

11. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting its obligations. The Association manages its liquidity by monitoring its expenses, working capital and capital expenditures. The Association primarily meets its liquidity requirements through the EHCs and registration fees it earns. Operating shortfalls in cashflows occasionally arise due to unforeseen events. Investments and investment income are internally restricted to cover the cost of unforeseen claims and events. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Association expects to continue to meet future requirements through these sources.

There has been no change to the risk exposure from the prior year.

Market risk

Market risk refers to the risk that the fair value or future cash flow of the Association's financial instruments will fluctuate because of changes in market prices. The Association is exposed to market risk with respect to its investments. Accordingly, the value of these financial instruments will fluctuate as a result of changes in market prices, market conditions, or factors affecting the net asset values of the underlying investments. Should the value of the financial instruments decrease significantly, the Association could incur material losses upon disposal of the instruments. This risk is mitigated by diversification of portfolio holdings amongst different asset classes and by holding investments with varying maturity dates and a variety of issuers.

There is no change in risk exposure from the prior year.