

Appendix

B

Financial Report &
Independent Auditors Report

Financial Statements of

**BRITISH COLUMBIA USED OIL
MANAGEMENT ASSOCIATION**

(Operating as Interchange Recycling)

And Independent Auditor's Report thereon

Year ended December 31, 2023



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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 Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets 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 Entity as at December 31, 2023, 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 auditor's report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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 auditor's 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Entity to cease to continue as a going concern.



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- 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 29, 2024

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 412,074	\$ 740,785
Accounts receivable (note 2)	4,716,965	4,713,092
Short-term investments (note 3)	9,717,213	9,885,627
Prepaid expenses	17,366	14,848
	<u>14,863,618</u>	<u>15,354,352</u>
Property and equipment (note 4)	63,300	108,277
	<u>\$ 14,926,918</u>	<u>\$ 15,462,629</u>

Liabilities and Net Assets

Current liabilities:		
Return incentives and return collection facilities incentives payable (note 5)	\$ 2,220,181	\$ 1,658,848
Accounts payable and accrued liabilities (note 6)	502,176	269,748
	<u>2,722,357</u>	<u>1,928,596</u>
Net assets:		
Unrestricted	2,372,965	3,535,656
Internally restricted	9,768,296	9,890,100
Invested in property and equipment	63,300	108,277
	<u>12,204,561</u>	<u>13,534,033</u>
Commitments (note 7)		
	<u>\$ 14,926,918</u>	<u>\$ 15,462,629</u>

See accompanying notes to financial statements.

On behalf of the Board:





BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Environmental handling charges	\$ 15,431,977	\$ 16,383,273
Compliance reviews	209,827	163,427
Other income	88,561	44,760
	<u>15,730,365</u>	<u>16,591,460</u>
Expenses:		
Program costs - return collection facilities incentives and communications:		
Return collection facilities incentives	878,573	912,247
Communications	778,503	672,374
Depot infrastructure	478,997	353,301
Return collection facilities coordinator	164,055	152,114
	<u>2,300,128</u>	<u>2,090,036</u>
Program costs - return incentives and other:		
Return incentives	13,154,949	12,678,566
Legal fees (note 9)	371,206	130,366
Management and administration contracts (note 9)	203,721	143,381
Consulting	177,247	70,653
Technology and support	147,676	119,198
Compliance reviews	64,146	60,284
Sponsorships	24,466	22,447
Travel	15,578	11,624
	<u>14,158,989</u>	<u>13,236,519</u>
Administrative costs:		
Management and administration contracts (note 9)	743,734	576,129
Legal fees (note 9)	199,647	178,995
Office and general	187,307	112,040
Board	168,782	103,007
Rent	82,660	90,307
Audit fees	51,809	54,300
Amortization	44,977	51,560
	<u>1,478,916</u>	<u>1,166,338</u>
	<u>17,938,033</u>	<u>16,492,893</u>
Surplus (deficiency) from operations	(2,207,668)	98,567
Investment income (loss) (note 3)	878,196	(755,308)
Deficiency for the year	<u>\$ (1,329,472)</u>	<u>\$ (656,741)</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Internally restricted	Invested in property and equipment	Total 2023	Total 2022
Balance, beginning of year	\$ 3,535,656	\$ 9,890,100	\$ 108,277	\$ 13,534,033	\$ 14,190,774
Deficiency for the year	(1,284,495)	-	(44,977)	(1,329,472)	(656,741)
Proceeds from investments, net	121,804	(121,804)	-	-	-
Balance, end of year	\$ 2,372,965	\$ 9,768,296	\$ 63,300	\$ 12,204,561	\$ 13,534,033

See accompanying notes to financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency for the year	\$ (1,329,472)	\$ (656,741)
Items not involving cash:		
Amortization	44,977	51,560
Unrealized (gain) loss on investments	(809,127)	731,443
	(2,093,622)	126,262
Changes in non-cash operating working capital:		
Increase in accounts receivable	(3,873)	(249,328)
Increase in prepaid expenses	(2,518)	(3,536)
Increase (decrease) in return incentives and return collection facilities incentives payable	561,333	(78,871)
Increase in accounts payable and accrued liabilities	232,428	25,786
	(1,306,252)	(179,687)
Investing:		
Purchase of investments	(1,300,000)	-
Disposal of investments	2,277,541	-
	977,541	-
Decrease in cash	(328,711)	(179,687)
Cash, beginning of year	740,785	920,472
Cash, end of year	\$ 412,074	\$ 740,785

See accompanying notes to financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements

Year ended December 31, 2023

Nature of operations:

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.

1. 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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

(d) Property and equipment:

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Computer software	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	5 years

Assets are not amortized until available for use. The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) Allocated expenses:

Unless specifically related to a program or administrative activity, the Association allocates certain expenses by determining management's best estimate of resources spent on program activities and administration activities each year.

The following costs are split 80/20 to Administrative costs and Program costs, respectively:

- Executive Director contract
- Other contract staff
- Legal fees

2. Accounts receivable:

	2023	2022
EHC receivable	\$ 3,501,972	\$ -
EHC accrual	801,131	4,124,086
Other accounts receivable	125,073	589,006
Due from U.S. partners	288,789	-
	<u>\$ 4,716,965</u>	<u>\$ 4,713,092</u>

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Short-term investments:

Investment income (loss) is comprised of the following:

	2023	2022
Interest income	\$ 14,414	\$ 4,472
Dividend income	127,170	45,140
Gain (loss) on equity investments	809,127	(731,444)
Investment fees paid	(72,515)	(73,476)
	\$ 878,196	\$ (755,308)

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

	2023 Original cost	2023 Fair value	2022 Original cost	2022 Fair value
Dynamic Preferred Yield Class				
Sr Fund	\$ -	\$ -	\$ 825,202	\$ 783,621
Fidelity Asset Allocation				
Private Pool	1,352,324	1,570,363	1,268,137	1,453,262
Fidelity Global Asset				
Allocation Fund	2,044,781	2,255,936	1,996,453	2,016,338
Fidelity Global Growth & Value				
Fund	763,767	1,236,674	719,175	1,009,503
Fidelity Global Innovators	323,824	322,094	313,756	219,108
Fidelity Canadian Large Cap				
Fund	913,394	1,031,637	1,187,509	1,373,274
Fidelity Market Neutral				
Alternative Fund	-	-	900,000	883,838
Fidelity Multisector Bond Fund	1,322,286	1,296,525	-	-
Harvest Healthcare	67,020	80,300	73,615	82,200
PH&N High Yield Bond	327,306	305,967	327,306	297,609
RBC Core Plus Bond Pool				
Fund	1,772,261	1,617,717	2,014,574	1,766,874
	\$ 8,886,963	\$ 9,717,213	\$ 9,625,727	\$ 9,885,627

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Property and equipment:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 197,750	\$ 140,530	\$ 57,220	\$ 96,770
Furniture and fixtures	19,748	17,115	2,633	6,583
Leasehold improvements	7,386	3,939	3,447	4,924
	\$ 224,884	\$ 161,584	\$ 63,300	\$ 108,277

5. Return incentives and return collection facilities incentives payable:

	2023	2022
RI payable	\$ 1,378,814	\$ 298,197
RI accrual	509,815	934,651
RCF accrual	331,552	426,000
	\$ 2,220,181	\$ 1,658,848

6. Accounts payable and accrued liabilities:

Included in accounts payable are government payroll remittances payable of \$1,076 (2022 - \$2,932) related to payroll remittances on Directors' fees and Staff salaries.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Commitments:

The Association office lease agreement expires April 30, 2026. 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 the lease agreement until expiry are as follows:

2024	\$	147,564
2025		147,564
2026		49,188
	\$	344,316

8. 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% (2022 - 10%) by weight. This percentage is used to estimate the amount spent on ineligible plastics. The estimated amount for the year ended December 31, 2023 is \$328,000 (2022- \$333,000).

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Allocated expenses:

Total expenses allocated between program costs and administrative costs were as follows:

December 31, 2023	Program costs	Administrative costs	Total
Management and administrative contracts	\$ 203,721	\$ 743,734	\$ 947,455
Legal fees	371,206	199,647	570,853
	\$ 574,927	\$ 943,381	\$ 1,518,308

December 31, 2022	Program costs	Administrative costs	Total
Management and administrative contracts	\$ 143,381	\$ 576,129	\$ 719,510
Legal fees	130,366	178,995	309,361
	\$ 273,747	\$ 755,124	\$ 1,028,871

10. Financial risk management:

(a) 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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Financial risk management (continued):

(b) 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 2). 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.

(c) 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 are no changes in risk exposure from the prior year.

11. Comparative amounts:

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.