

Appendix

B

Financial Report &
Independent Auditors Report

Non-Consolidated Financial Statements of

**BRITISH COLUMBIA USED OIL
MANAGEMENT ASSOCIATION**

(Operating as Interchange Recycling)

And Independent Auditor's Report thereon

Year ended December 31, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Members of British Columbia Used Oil Management Association

Opinion

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

- the non-consolidated financial position as at December 31, 2025
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes in net assets for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated 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 non-consolidated financial position of the Entity as at December 31, 2025 and its non-consolidated results of operations and its non-consolidated 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada

April 24, 2026

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Non-Consolidated Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 3,150,340	\$ 1,141,755
Accounts receivable (note 2)	6,133,599	6,284,781
Short-term investments (note 3)	10,494,480	9,525,103
Prepaid expenses	39,882	38,799
Due from related parties (note 4)	597,444	142,142
	<u>20,415,745</u>	<u>17,132,580</u>
Property and equipment (note 5)	13,238	31,304
Intangible assets (note 6)	386,919	488,661
	<u>\$ 20,815,902</u>	<u>\$ 17,652,545</u>

Liabilities and Net Assets

Current liabilities:		
Return incentives and return collection facilities incentives payable	\$ 2,310,095	\$ 1,907,681
Accounts payable and accrued liabilities	586,221	1,351,964
	<u>2,896,316</u>	<u>3,259,645</u>
Net assets:		
Unrestricted	7,024,949	4,331,885
Internally restricted	10,494,480	9,541,050
Invested in capital assets	400,157	519,965
	<u>17,919,586</u>	<u>14,392,900</u>
Commitments (note 7)		
	<u>\$ 20,815,902</u>	<u>\$ 17,652,545</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Non-Consolidated Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Environmental handling charges	\$ 21,475,323	\$ 18,095,410
Other income	57,940	69,030
Compliance reviews	13,317	653,819
	<u>21,546,580</u>	<u>18,818,259</u>
Expenses:		
Program costs - return collection facilities incentives and communications:		
Return collection facilities incentives	1,199,682	1,035,544
Communications	816,543	745,845
Depot infrastructure	285,768	406,056
Return collection facilities coordinator	196,966	166,665
	<u>2,498,959</u>	<u>2,354,110</u>
Program costs - return incentives and other:		
Return incentives	13,210,204	12,857,283
Bad debt expense	561,485	-
Technology and support	461,978	857,990
Management and administration contracts (note 10)	404,076	360,361
Legal fees (note 10)	231,217	202,744
Consulting	64,519	95,796
Travel	63,978	103,629
Compliance reviews	53,257	39,862
Sponsorships	45,504	31,322
	<u>15,096,218</u>	<u>14,548,987</u>
Administrative costs:		
Management and administration contracts (note 10)	1,265,347	1,101,880
Office and general	287,721	134,139
Board	158,622	92,888
Amortization	124,195	45,237
Legal fees (note 10)	106,188	232,422
Audit	78,445	64,074
Rent	74,437	63,588
	<u>2,094,955</u>	<u>1,734,228</u>
Recovery of costs (note 4)	<u>(670,956)</u>	<u>(600,809)</u>
	<u>1,423,999</u>	<u>1,133,419</u>
	<u>19,019,176</u>	<u>18,036,516</u>
Surplus from operations	2,527,404	781,743
Investment income (note 3)	999,282	1,406,596
Surplus for the year	<u>\$ 3,526,686</u>	<u>\$ 2,188,339</u>

See accompanying notes to non-consolidated financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Non-Consolidated Statement of Changes in Net Assets

Year ended December 31, 2025, with comparative information for 2024

	Unrestricted	Internally restricted	Invested in capital assets	Total 2025	Total 2024
Balance, beginning of year	\$ 4,331,885	\$ 9,541,050	\$ 519,965	\$ 14,392,900	\$ 12,204,561
Surplus (deficiency) for the year	3,650,881	-	(124,195)	3,526,686	2,188,339
Purchase of assets	(4,387)	-	4,387	-	-
Proceeds from investments, net	(953,430)	953,430	-	-	-
Balance, end of year	\$ 7,024,949	\$ 10,494,480	\$ 400,157	\$ 17,919,586	\$ 14,392,900

See accompanying notes to non-consolidated financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Surplus for the year	\$ 3,526,686	\$ 2,188,339
Items not involving cash:		
Amortization	124,195	45,237
Unrealized gain on investments	(967,469)	(1,408,294)
	2,683,412	825,282
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	151,182	(1,856,605)
Increase in prepaid expenses	(1,083)	(21,433)
Decrease (increase) in due from related parties	(455,302)	146,647
Increase (decrease) in return incentives and return collection facilities incentives payable	402,414	(312,500)
Increase (decrease) in accounts payable and accrued liabilities	(765,743)	849,788
	2,014,880	(368,821)
Investing:		
Purchase of investments	(1,908)	(1,920,000)
Disposal of investments	-	3,520,404
Purchase of property and equipment, net	(4,387)	(13,241)
Costs incurred on development of intangible assets	-	(488,661)
	(6,295)	1,098,502
Increase in cash	2,008,585	729,681
Cash, beginning of year	1,141,755	412,074
Cash, end of year	\$ 3,150,340	\$ 1,141,755

See accompanying notes to non-consolidated financial statements.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2025

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) Principles of consolidation:

The Association accounts for its subsidiary using the cost method and instead provides relevant disclosures in the notes to the financial statements.

(b) 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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(c) 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.

(d) 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.

(e) Property and equipment:

Property 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.

(f) Intangible assets:

Research activities are expensed as incurred. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Association's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Association's intention to complete the asset for use or for sale; the Association's ability to use or sell the asset; the adequacy of the Association's resources to complete the development and to use or sell the asset; the Association's ability to measure reliably the expenditures during the development; and the Association's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized on a straight-line over their estimated useful lives of 5 years, unless the life is determined to be indefinite.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(g) 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 Association 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.

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(h) 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.

(i) 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:

	2025	2024
EHC receivable	\$ 1,899,843	\$ 826,468
EHC accrual	4,187,988	5,227,951
Other accounts receivable	607,253	230,362
Allowance for doubtful accounts	(561,485)	-
	<u>\$ 6,133,599</u>	<u>\$ 6,284,781</u>

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Short-term investments:

Investment income is comprised of the following:

	2025	2024
Interest income	\$ -	\$ 21,416
Dividend income	105,216	48,596
Unrealized gain on investments	967,469	1,408,294
Investment fees paid	(73,403)	(71,710)
	\$ 999,282	\$ 1,406,596

The Association has funds invested in Canadian and International equities, and fixed income and related securities, and maturing as follows:

	2025 Original cost	2025 Fair value	2024 Original cost	2024 Fair value
Fidelity Asset Allocation Private Pool	\$ 1,378,537	\$ 1,983,717	\$ 1,365,742	\$ 1,798,049
Fidelity Global Asset Allocation Fund	1,724,733	2,226,120	1,538,390	1,996,128
Fidelity Global Growth & Value Fund	776,767	1,835,706	771,474	1,614,145
Fidelity Global Innovators	327,231	630,781	325,716	518,425
Fidelity Canadian Large Cap Fund	1,196,244	1,424,085	1,032,638	1,200,934
Fidelity Multisector Bond Fund	352,461	337,605	349,370	331,167
Harvest Healthcare	63,861	76,900	64,155	76,600
Fidelity Tactical Credit Fund	1,996,608	1,979,566	1,991,288	1,989,655
	\$ 7,816,442	\$ 10,494,480	\$ 7,438,773	\$ 9,525,103

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

4. Due from related parties:

Amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

	2025		2024	
Due from Interchange Recycling Yukon	\$	454,146	\$	130,749
Due from U.S. partners		143,298		11,393
	\$	597,444	\$	142,142

The amount due from U.S. partners relates to operational costs incurred by the Association on behalf of the U.S. partners which have been recharged to them. During the year, a total of \$670,956 (2024 - \$600,809) was recharged.

5. Property and equipment:

	2025		2024	
	Cost	Accumulated amortization	Net book value	
Computer software	\$ 215,379	\$ 202,633	\$ 12,746	
Furniture and fixtures	19,748	19,748	-	
Leasehold improvements	7,386	6,894	492	
	\$ 242,513	\$ 229,275	\$ 13,238	

	2025		2024	
	Cost	Accumulated amortization	Net book value	
Computer software	\$ 210,992	\$ 181,657	\$ 29,335	
Furniture and fixtures	19,748	19,748	-	
Leasehold improvements	7,386	5,417	1,969	
	\$ 238,126	\$ 206,822	\$ 31,304	

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

6. Intangible assets:

	2025	2024
Used Oil Portal	\$ 488,661	\$ 488,661
Accumulated amortization	(101,742)	-
	\$ 386,919	\$ 488,661

7. Commitments:

The Association office lease agreement expires April 30, 2026 and has been renewed for a ten-year term expiring on April 30, 2036. 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:

2026	\$ 113,261
2027	97,994
2028	99,879
2029	103,648
2030	107,417
Thereafter	572,888
	\$ 1,095,087

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

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% (2024 - 10%) by weight. This percentage is used to estimate the amount spent on ineligible plastics. The estimated amount for the year ended December 31, 2025 is \$350,000 (2024 - \$308,000).

9. Controlled subsidiary:

In 2024, the Association incorporated a new subsidiary, Interchange Recycling Yukon (the "subsidiary") under the Canada Not-for-Profit Corporations Act. The purpose of the subsidiary is to establish and administer a waste minimization and recycling program in the Yukon. The subsidiary is a not-for-profit under the Income Tax Act and therefore is not subject to income taxes on any surplus.

The subsidiary accounts for transactions using Canadian accounting standards for not-for-profit organizations using substantially similar policies to the Association.

Information of the resources controlled by the Association as at December 31, 2025 were as follows:

	2025	2024
Revenue	\$ 339,565	\$ 33,078
Program costs	274,763	112,918
Administrative costs	95,617	17,630
Deficiency	\$ (30,815)	\$ (97,470)

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

9. Discontinued operations (continued):

The following table provides additional information with respect to the subsidiary's financial position and cash flows for the period ended December 31, 2025:

	2025	2024
Total assets	\$ 384,614	\$ 33,159
Total liabilities	\$ 512,899	\$ 130,629
Deficit	(128,285)	(97,470)
	\$ 384,614	\$ 33,159
Cash provided by (used for) were as follows:		
Operating activities	\$ (39,875)	\$ (129,402)
Financing activities	323,607	130,539
Change in cash resources	\$ 283,732	\$ 1,137

10. Allocated expenses:

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

December 31, 2025	Program costs	Administrative costs	Total
Management and administrative contracts	\$ 404,076	\$ 1,265,347	\$ 1,669,423
Legal fees	231,217	106,188	337,405
	\$ 635,293	\$ 1,371,535	\$ 2,006,828

December 31, 2024	Program costs	Administrative costs	Total
Management and administrative contracts	\$ 360,361	\$ 1,101,880	\$ 1,462,241
Legal fees	202,744	232,422	435,166
	\$ 563,105	\$ 1,334,302	\$ 1,897,407

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION

(Operating as Interchange Recycling)

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. 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. Short-term investments represent 52% (2024 - 54%) of total assets and a change in value of 10% would have an impact on surplus (deficiency) of \$1,049,448 (2024 - \$952,510). 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.

(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 cash flows 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.