



2023 ANNUAL REPORT



Thinking
beyond
the box

Stewardship Ontario

About Stewardship Ontario

Stewardship Ontario is a not-for-profit organization financed by the businesses that supply designated products, packaging and printed paper to the Ontario market. In partnership with Ontario municipalities, recycling associations and First Nations communities, Stewardship Ontario has operated the province's Blue Box Program for recycling printed paper and packaging since 2004.

The Ontario government is currently implementing a new approach to resource recovery in which businesses will be fully responsible for financing and operating activities for the recycling of blue box materials. The Blue Box Program began transitioning to an extended producer responsibility (EPR) framework in the second half of 2023. Following the completion of the Blue Box transition at the end of 2025, Stewardship Ontario will be fully wound up as an entity.

Between 2008 and 2021, Stewardship Ontario also operated the Municipal Hazardous or Special Waste (MHSW) Program (also known as the Orange Drop program) for recycling and safe disposal of certain hazardous or special waste products. The MHSW Program ceased operations in September 2021 when the new EPR framework was applied to materials previously covered by the MHSW Program.

For more information about Stewardship Ontario, please visit our website: www.stewardshipontario.ca.

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2023 Message to Stakeholders - Successful Start to Transition

A new era for Blue Box recycling in Ontario began in 2019, when Stewardship Ontario received direction from the Minister of the Environment, Conservation and Parks to develop a plan for the transition of the legacy program to an extended producer responsibility (EPR) framework.

Throughout this process, Stewardship Ontario's primary objective has been to complete the transition as smoothly and efficiently as possible, minimizing the impact of the legacy Blue Box Program on the transition process, and enabling stewards to focus on their new responsibilities (as producers) under the [Resource Recovery and Circular Economy Act](#) (RRCEA).

The process has been remarkably smooth, in part, because of Stewardship Ontario's efforts to make the requirements of stewards simpler, more predictable and less costly during the transition period. By simplifying the process to establish annual steward obligations and introducing a simplified fee setting model, we have reduced the burden on stewards and reduced our projected operating and transition costs by more than \$18 million over the transition period. You can read more about our efforts to prepare for and ensure a smooth transition in the report below.

We have reduced the burden on stewards and reduced our projected operating and transition costs by more than \$18 million over the transition period.

The transition of phase one municipalities to the new EPR framework began in July 2023. Approximately one-third of municipalities across Ontario have successfully completed their exit from the Stewardship Ontario Program and began the transition to full EPR. These municipalities account for 40% of the net cost and 42% of the marketed tonnes, as reported in their most recent data year. Corresponding to the share of cost and tonnes, these municipalities also represented 41% of the population serviced by the legacy Blue Box program.

In 2021, the [governance](#) of Stewardship Ontario transitioned from a Board of Directors to an Administrator. Stewardship Ontario's management appreciates the guidance and support of the Stewardship Ontario Administrator, previous Board members and the many stakeholders working to implement this once-in-a-generation transformation.

As of December 31, 2023, there were 1,825 stewards registered with Stewardship Ontario's Blue Box Program. Stewardship Ontario will continue to actively engage with the steward community and work hard on behalf of stewards to continue to make the transition process as smooth and cost-effective as possible.

GOVERNANCE

In June 2021, Susan Lo was appointed to the position of Administrator by the Resource Productivity and Recovery Authority (RPPRA) as Stewardship Ontario transitioned away from a Board of Directors governance model. The Administrator fulfills the role of the Board, overseeing the work of Stewardship Ontario's management team and reports to the RPPRA Board. Stewardship Ontario is led by a management team with extensive experience in senior roles and in the stewardship field: Lyle Clarke, Executive Director; Jane Mackenzie, Chief Financial Officer; Scott Tudor, Steward Relations Lead; and Tina Caputo, Project Manager. As part of the governance change, a Steward Advisory Group was created to bring industry representatives together to advise the organization's management team and the Administrator. The Steward Advisory Group meets quarterly and provides feedback on the implementation of the Blue Box Transition Plan.

Legacy Blue Box Program and Background on the Transition

The Blue Box Program managed by Stewardship Ontario is the province's legacy recycling program for diverting packaging and printed paper from the residential waste stream. The program collects glass, metal, paper and plastic materials in various formats and in an ever-evolving mix.

Under this legacy program, costs were shared between participating Ontario communities and industry stewards – the registered businesses that supply packaging and printed paper to Ontario residents. This shared-cost model changed in 2023, as the Blue Box Program began transitioning to a full extended producer responsibility (EPR) framework.

In August 2019, the Minister of the Environment, Conservation and Parks directed Stewardship Ontario to wind up the current Blue Box Program and develop a Transition Plan that would enable recycling of Blue Box material to progress to a new EPR framework in which producers are fully responsible for both the funding and operation of residential recycling in the province under the Resource Recovery and Circular Economy Act (RRCEA). Stewardship Ontario does not have a role in the new EPR model.

To implement the Minister's direction, Stewardship Ontario consulted extensively with stakeholders to develop the Blue Box Transition Plan for submission to the [Resource Productivity and Recovery Authority](#) (RPRA) for approval. This included webinars with stewards, municipalities, First Nations, the waste management industry and environmental non-governmental organizations, followed by additional rounds of consultations.

In December 2020, Stewardship Ontario was advised that the Blue Box Transition Plan submitted to RPRA was approved with conditions. RPRA subsequently approved Stewardship Ontario's proposed response to each of the conditions. The first Ontario communities began transitioning to the new RRCEA framework on July 1, 2023, with the entire province scheduled to be operating under the new EPR framework by December 31, 2025. After the transition is complete, Stewardship Ontario will be wound up as an organization.

Ensuring Readiness for a Smooth Transition

Stewardship Ontario has met key milestones in the process to dissolve the legacy Blue Box Program and to enable a smooth transition to an extended producer responsibility (EPR) framework. Our actions to meet the approved Blue Box Transition Plan went beyond mandated requirements and sought to maximize the conditions for success and address challenges as they arose; ultimately enabling stewards and municipalities to successfully prepare for the transition to EPR on July 1, 2023.

Successful Negotiations Between Stewards and Municipalities

Recognizing that reaching an approved steward obligation had been a challenge for many years, Stewardship Ontario worked hard to achieve agreement on a clear, formulaic, process to determine annual steward obligations to municipalities for the duration of the transition period.

Fee Simplification Process Benefits

After extensive consultation in 2021, early in 2022, RPRA approved Stewardship Ontario's proposed [simplified model](#) for setting fees for stewards through the transition period. This simplified model eliminated the need for most stewards to report annual supply-to-market data. In 2023, only three per cent of stewards, who would normally have reported annual material supply data, were required to submit a report. This reduced the burden on stewards and reduced Stewardship Ontario's program management and transition costs.

Finalized Service Agreement with Circular Materials

Stewardship Ontario also signed an agreement with [Circular Materials](#), a national producer responsibility organization, to provide administrative and operational services, while remaining in compliance with requirements for confidentiality and data security. The agreement will run for the duration of the Stewardship Ontario wind-up period.

Concluding Municipal Hazardous or Special Waste Program (MHSW)

In September 2023, the final step in the close out of the Municipal Hazardous or Special Waste (MHSW) program was concluded when the Minister of the Environment, Conservation and Parks provided notice of termination pursuant to section 14 of the Waste Diversion Transition Act, 2016 (WDTA). The September 11, 2023, notice letter is available [here](#).

Financial Performance Highlights

The successful agreement with municipalities, the simplified fees model and other efficiencies have enabled Stewardship Ontario to reduce its originally projected operating costs by \$13 million or 22.9% less than initial estimates in the Blue Box Transition Plan, and also to reduce transition costs by \$5 million or 47.1% less than estimated. This has resulted in a total savings for stewards of more than \$18 million.

July 1, 2023 – Successful Start to Transition

Stewardship Ontario will continue to work hard on behalf of stewards to make the transition process as smooth and cost effective as possible as communities across the province transition to EPR.

Ongoing Blue Box Program Stakeholder Engagement Activities

There were 1,825 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2023. Stewards included brand owners (companies that hold registered trademarks associated with the designated packaging or printed materials), first importers (Ontario companies, mostly retailers, that are the first to take ownership, possession or control of products in Ontario) and franchisors (the responsible stewards for all designated materials that are supplied by the entire Ontario franchise system) who supply designated materials to consumers.

Stewardship Ontario actively engaged with the steward community throughout 2023. In addition to the annual steward meeting held in October, Stewardship Ontario used emails and its website to routinely communicate news and information to the steward community. The website is regularly reviewed to ensure all postings are current and to ensure that information is structured in a way that is logical and easy for stewards to navigate. An extensive steward resource section is part of the website. The annual meeting, the website and email communication channels will continue to be used throughout the transition.

Additionally, Stewardship Ontario staff and the Administrator meet quarterly with a Steward Advisory Group. The Group has been in place since 2021, and its four members are senior executives of the Retail Council of Canada, Food, Health & Consumer Products of Canada, the Canadian Beverage Association and Cosmetics Alliance Canada. Collectively, these trade associations represent almost all sectors for stewards. Meetings are typically a collaborative exchange of information, with Stewardship Ontario providing details on the transition status, as well as company financials and initiatives. The Group provide insight on their stewardship work and challenges, and advice on how initiatives are designed and executed.

Lastly, Stewardship Ontario responds directly to questions from individual stewards. Usually these questions are fee-related and handled as part of the ongoing relationship between stewards and customer relations staff. Questions related to areas such as steward policy are answered by senior Stewardship Ontario staff.

Risk Management Through Transition

Like all organizations, Stewardship Ontario maintains the financial reserves necessary to operate its program in the case of unforeseen circumstances or program interruptions.

Robust risk management practices enable Stewardship Ontario to minimize the amount of reserves that it must maintain, while continuing to fulfill its obligations to municipalities, fund steward fee reductions when possible, and ensure sufficient funds are available to close out the organization following the program's end in December 2025.

Beginning in 2023, Stewardship Ontario enhanced its risk management process to identify, quantify and manage risks that are specific to the wind-up process. These included several risks that could impact Stewardship Ontario's ability to continue with its [Simplified Fee Policy](#) and/or hamper efforts to lower the organization's management and transition costs.

Risk assessments and mitigation strategies were then developed and put in place. The process is dynamic, with risks being added and closed on an ongoing basis. The transition has been progressing smoothly and none of the risks are considered to have both a high impact and a high probability of occurring. Risks continue to be reviewed quarterly with the Administrator and the Steward Advisory Group.

Updated Approach to Annual Performance Reporting

Stewardship Ontario has historically reported Blue Box performance statistics in its annual report. These provincial metrics included operating measures such as: recycled tonnes, recycling rate, population serviced by the program and net cost per tonne. These metrics are dependent on information submitted annually by participating municipalities to the [Resource Productivity and Recovery Authority](#) (RPRA) through the [Datacall](#) process and on material compensation studies carried out by Stewardship Ontario in cooperation with the Continuous Improvement Fund ([CIF](#)).

The cities of London, Ottawa, Sarnia, Sault Ste. Marie and Toronto left the program in 2023 and, in total, the municipalities exiting in 2023 represent about 42% of the Blue Box tonnage in the program. Operating statistics will become increasingly less representative of provincial performance as the remaining municipalities leave the program in 2024 and 2025. As a result, Stewardship Ontario will not be including operating metrics in our annual report for the remainder of the program. Stewardship Ontario continues to fulfil regulatory obligations to RPRA including filing quarterly and annual reports that track transition status and report on program metrics.

Financial Performance

Stewardship Ontario's obligation to municipalities for 2023 was based on data submitted by municipalities in 2022 for recycling activity that occurred in 2021. The obligation for municipalities that transitioned in 2023 was adjusted downward based on the number of days in the year that they were to be part of the program.

Revenue from Blue Box steward fees for 2023 was \$158.3 million, a decrease of 6.42% from 2022.

As noted in our previous annual reports, the program uses a three-year rolling average for commodity revenue, so the full effects of significant commodity market declines and resultant revenue decreases in recent years remains a factor.

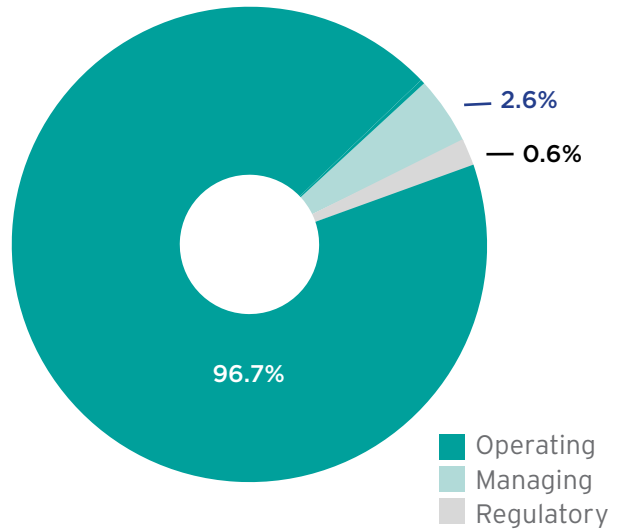
By the end of the transition process, the total financial obligation paid to municipalities over the course of the Transition Plan (2020-2025) is expected to be only 4.9% higher (i.e. \$32.9 million) than what was originally forecast in 2019. This was achieved despite the spike in inflation and the financial impacts of COVID-19, which had not been forecast when the plan was prepared. By tracking close to forecasted amounts, stewards could count on stability with Stewardship Ontario's fees as new obligations under the RRCEA were emerging.

A simpler process for determining steward obligation, simplified fees and other efficiencies has enabled Stewardship Ontario to reduce its projection of operating and transition costs, with operating costs that are \$13 million or 22.9% less than initial estimates for the Blue Box Transition Plan and transition costs that are \$5 million or 47.1% less than estimated, ultimately saving stewards more than \$18 million.

PROGRAM EXPENSES

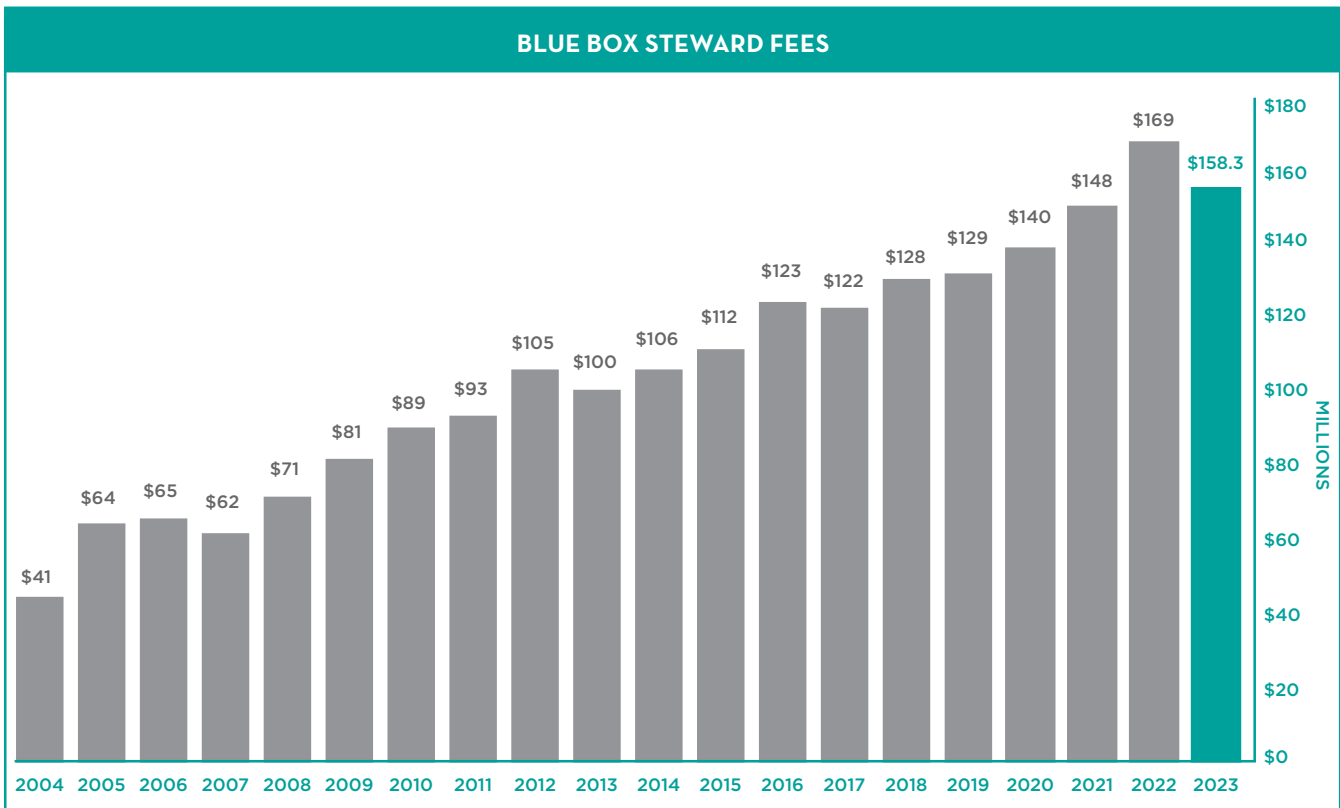
Total program expenses in 2023 were \$154 million, in comparison to \$177.5 million in 2022, a decrease of \$23.5 million or approximately 13.2%. Several factors contributed to decreased expenses, including a 12% decrease in obligation to municipalities, a 36% reduction in program management costs and a 43% decrease in regulatory charges. The completion of the wind up of the MHSW program also accounted for the reduction in total program expenses in 2023, compared to 2022.

The pie chart on the right shows a breakdown of Stewardship Ontario expenses in 2023, which are based on the payment obligations to municipalities as determined by the Resource Productivity and Recovery Authority (RPR), plus the cost of managing the program.



REVENUE FROM STEWARD FEES

Revenue from Blue Box steward fees for 2023 was \$158.3 million, a decrease of 6.42% from 2022. It is expected that costs and fees will continue to decline significantly, as communities transition to the new regulatory framework.



Financial Statements

**Stewardship Ontario Financial Statements
For the year ended December 31, 2023**

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Independent Auditor's Report

To the Members of Stewardship Ontario

Opinion

We have audited the financial statements of Stewardship Ontario (the "Organization"), which comprise the balance sheet as at December 31, 2023, 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 Organization 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 report. We are independent of the Organization 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 these 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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 these financial statements.



Independent Auditor's Report

(Continued)

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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 8, 2024

Stewardship Ontario Balance Sheet

December 31 **2023** 2022

Assets

Current

Cash	\$ 10,360,371	\$ 16,634,930
Investments (Note 2)	33,448,039	26,308,042
Accounts and other receivables (Note 3)	1,755,081	2,470,000
Prepaid expenses and deposits	44,041	35,117

	45,607,532	45,448,089
Investments (Note 2)	19,805,358	28,377,356

\$ 65,412,890 **\$ 73,825,445**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 32,253,049	\$ 45,379,523
Deferred revenue (Note 5)	-	666,017
Continuous Improvement Fund (Note 6)	8,601,712	10,974,679

40,854,761 57,020,219

Net Assets

Unrestricted	24,558,129	16,805,226
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\$ 65,412,890 **\$ 73,825,445**

On behalf of the Administrator:



Administrator

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

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2023

	Unrestricted	Internally Restricted	2023 Total
Balance , beginning of year	\$ 16,805,226	\$ -	\$ 16,805,226
Excess of revenue over expenses for the year	7,752,903	-	7,752,903
Balance , end of year	\$ 24,558,129	\$ -	\$ 24,558,129

For the year ended December 31, 2022

	Unrestricted	Internally Restricted	2022 Total
Balance, beginning of year	\$ 31,449,974	\$ 646,000	\$ 32,095,974
Deficiency of revenue over expenses for the year	(15,290,748)	-	(15,290,748)
MHSW Program Extension Reserve (Note 7)	646,000	(646,000)	-
Balance , end of year	\$ 16,805,226	\$ -	\$ 16,805,226

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Blue Box program steward fees	\$158,303,926	\$169,171,725
MHSW program steward fees	-	8,180
Investment income (loss) (Note 8)	4,117,711	(696,341)
	162,421,637	168,483,564
Expenses		
Blue Box Program		
Municipal Transfer Payments	148,953,456	169,143,232
Research and development	-	67,149
Promotion and education	56,990	362,561
Program wind up costs	638,793	641,722
	149,649,239	170,214,664
MHSW Program		
Direct material costs (Note 4)	-	461,262
Program wind up costs	-	1,197,839
Surplus transfer (Note 10)	-	3,354,068
	-	5,013,169
Common costs		
Program management (Note 4)	4,059,995	6,876,685
Resource Productivity and Recovery Authority (Note 9)	959,500	1,669,794
	5,019,495	8,546,479
Total expenses	154,668,734	183,774,312
Excess (deficiency) of revenue over expenses for the year	\$ 7,752,903	\$ (15,290,748)

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2023	2022
Cash (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 7,752,903	\$ (15,290,748)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income (loss)	(999,979)	3,104,689
Changes in non-cash working capital balances:		
Accounts and other receivables	714,919	679,741
Prepaid expenses and deposits	(8,924)	(3,630)
Accounts payable and accrued liabilities	(13,126,474)	5,065,011
Deferred revenue	(666,017)	-
Continuous Improvement Fund	(2,372,967)	(1,739,258)
	(8,706,539)	(8,184,195)
Investing activities		
Proceeds from investments, net of expenses	2,431,980	8,504,082
Increase (decrease) in cash during the year	(6,274,559)	319,887
Cash, beginning of year	16,634,930	16,315,043
Cash, end of year	\$ 10,360,371	\$ 16,634,930

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

Stewardship Ontario Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

(a) Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs. On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The Organization is a not-for-profit organization and as such is not subject to income taxes.

On November 30, 2016, The Resource Recovery and Circular Economy Act (2016) ("RRCEA") was proclaimed along with the Waste Diversion Transition Act (2016) ("WDTA") which replaces the WDA. Under the RRCEA, Waste Diversion Ontario ("WDO") continued under its new name, the Resource Productivity and Recovery Authority ("RPRA").

Blue Box Program

The first Blue Box Program Plan was approved by the Minister of the Environment in December 2003 and the program commenced operations in February 2004.

On August 15, 2019, Management received a letter from the Minister of the Environment, Conservation and Parks that directed the Organization to transition the management of the Blue Box Program to producers of plastic and other packaging. The Organization had to submit a plan to transition the Blue Box Program no later than August 31, 2020. The transition plan was approved by RPRA on December 23, 2020. The Blue Box Program is expected to begin its transition in July 2023 and cease operations by the end of 2025. Corporate wind up is expected to follow the Blue Box Program transition.

MHSW Program

On December 11, 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste ("MHSW") as a designated waste under the WDA. The Minister required that WDO develop a waste diversion program for MHSW, and the Organization to be the Industry Funding Organization ("IFO"). The Minister of the Environment approved the Program Plan in November 2007. MHSW officially commenced operations July 1, 2008.

Ontario Regulation 11/12 took effect on April 1, 2012 where the Organization is required to apply a market share methodology to recover both ongoing operating costs and to recover past deficits that have accumulated over the course of the program. This cost recovery methodology is designed to result in an economically sustainable program.

Management received letters from the Ministry of the Environment, Conservation and Parks ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directed the Organization to wind up the MHSW waste diversion program. The Wind Up Plan was approved by RPRA on January 8, 2020. The single-

Stewardship Ontario

Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies - (Continued)

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Revenue Recognition

The Blue Box program steward fees are recognized as revenue based on reported tonnages for stewards registered with the Organization. Steward reported tonnages for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured. The MHSW program steward fees were recognized on a cost recovery basis when costs are incurred and collection is reasonably assured. Any revenue resulting from compliance and enforcement activities are recorded as revenue when the amount can be reasonably estimated and collection is reasonably assured.

The Organization follows the deferral method of accounting for revenues, including the Glass Market Development Fund. Amounts received for programs are recognized as revenue when the related expenses are incurred.

(d) Financial Instruments

Fixed income investments are valued at year-end quoted market prices. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for these investments on a settlement date basis and transaction costs associated with these investment activities are included in the statement of operations. These investments have been presented according to their contractual maturity dates.

Unless otherwise noted, the Organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include estimates of unreported tonnages and collectability of steward fees, accrued post collection costs and the valuation of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

Stewardship Ontario Notes to Financial Statements

December 31, 2023

2. Investments

	2023	2022
Cash held with broker	\$ 259,516	\$ 115,825
Fixed income	52,993,881	54,569,573
	53,253,397	54,685,398
Less: Current portion	33,448,039	26,308,042
	\$ 19,805,358	\$ 28,377,356

Fixed income investments bear interest at 2.24% to 4.0% (2022 - 2.29% to 3.95%) and mature between June 2024 and May 2030 (2022 - June 2023 and May 2030). The decrease in market value of investments for the year ended December 31, 2023 amounted to \$998,533 (2022 - \$2,811,879) which is included in investment income (Note 8).

3. Accounts and Other Receivables

	2023	2022
Blue Box and MHSW program steward fees	\$ 3,927,995	\$ 4,243,060
Other	131,442	143,739
Allowance for doubtful accounts	(2,304,356)	(1,916,799)
	\$ 1,755,081	\$ 2,470,000

Stewardship Ontario Notes to Financial Statements

December 31, 2023

4. Significant Contracts

Canadian Stewardship Services Alliance Inc. ("CSSA") and Circular Materials ("CM")

Effective January 1, 2014, the Organization entered into a five year Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. On January 1, 2019, the agreement was amended to extend for a further three years. On November 11, 2021, CSSA entered into an agreement with the Resource Recovery Alliance Inc. ("RRA") to acquire substantially all assets, liabilities and operations of the CSSA. As a result of the acquisition, the MSA with CSSA was assigned to RRA. On September 15, 2022, CM acquired all of the issued and outstanding shares of RRA, and, as part of the acquisition, a Service Agreement was signed between CM and SO which became effective on September 15, 2022. Charges totaling \$2,989,779 (2022 - \$3,309,312 to RRA and \$1,064,568 to CM) were paid to CM pursuant to the contract and are included in program management expenses (2022 - program management expenses and program wind up costs) in the statement of operations. Included in accounts payable and accrued liabilities as at December 31, 2023 is \$238,889 (2022 - \$609,824) relating to these services.

5. Deferred Revenue

	<u>2023</u>	<u>2022</u>
Blue Box Program		
Glass Market Development Fund	\$ -	\$ 666,017

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for the Glass Market Development Fund. The Glass Market Development Fund was a legacy component of the Blue Box Program Plan and is discontinued under the Blue Box Transition Plan with funds being returned in March 2023.

6. Continuous Improvement Fund ("CIF")

In prior years, the Organization was directed to hold back a portion of the municipal blue box obligation for the CIF; see Note 11 for further details regarding the fund. The CIF is managed by external parties and directs the Organization to release funds as required.

During the year ended December 31, 2023, the CIF spent \$2,386,951 (2022 - \$1,739,258) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

Stewardship Ontario Notes to Financial Statements

December 31, 2023

7. Internally Restricted Net Assets

The Board of Directors authorized the establishment of the MHSW Program Extension Fund to support the costs associated with an increase in general wind up costs associated with a potential program extension. In 2022, the Board of Directors authorized the transfer \$646,000 from the MHSW Program Extension Fund to Unrestricted Net Assets as the MHSW Program wound up.

8. Investment Income

	<u>2023</u>	<u>2022</u>
Interest income	\$ 2,972,722	\$ 2,288,921
Dividend income	145,010	119,426
Gain (loss) on sale of investments	<u>1,446</u>	<u>(83,335)</u>
	3,119,178	2,325,012
Adjustment to fair value	1,188,576	(2,811,879)
Investment expenses	<u>(190,043)</u>	<u>(209,474)</u>
	<u>\$ 4,117,711</u>	<u>\$ (696,341)</u>

9. Resource Productivity and Recovery Authority

Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of RPRA that relate to program oversight.

10. Surplus Transfer

In 2022, in accordance with RPRA's conditions of the ISO Surplus Fund Transfer Addendum to the MHSW Wind Up Plan, the Organization made an additional surplus distribution payment of \$1,389,901 to AMS and \$585,039 to Product Care Association of Canada. In addition, a residual fund payment of \$930,325 and a retroactive fee reduction payment of \$448,803 was made to MHSW stewards.

Stewardship Ontario

Notes to Financial Statements

December 31, 2023

11. Commitments

Continuous Improvement Fund ("CIF")

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF was created to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost-effectiveness that can be implemented province wide. Each year, RPRRA determines the amount of the annual municipal obligation funded by the Organization's stewards that is passed along to the CIF and any cumulative unused amounts are reflected in CIF (Note 6). As of December 31, 2023, approved project funding and related commitments for the CIF amounted to approximately \$223,788 (2022 - \$1,279,884) of the total fund balance of \$8,601,712 (2022 - \$10,974,679).

12. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, and accounts and other receivables. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, corporate bonds, securities backed by any chartered bank, guaranteed investment certificates or equity and bond pooled funds. Accounts and other receivables, are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts, other receivables and loans receivable is \$2,304,356 (2022 - \$1,916,799).

(b) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of fixed income investments. To manage this exposure, the Organization invests mainly in fixed income securities (federal or provincial government securities, securities backed by any chartered bank or equity and bond pooled funds), and cash and/or money market investments as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered over the long term.

Stewardship Ontario Notes to Financial Statements

December 31, 2023

12. Financial Instrument Risk Exposure and Management - (Continued)

(c) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. Management has taken steps to ensure that the Blue Box programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenue in the short term.

These risks have not changed from the prior year.



Stewardship Ontario

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