



Stewardship Ontario

## **RPRA Filing on 2023 Program Performance**

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## Signature of the Administrator

This report has been approved by the Stewardship Ontario's Administrator for submission to the Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the Waste Diversion Transition Act, 2016.



**Sue Lo**  
Administrator  
Stewardship Ontario

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# **SECTION 1**

## **2023 Blue Box Program Performance**

## Blue Box Performance Report for 2023

### Background

Stewardship Ontario is the industry funding organization responsible for the Blue Box Program Plan, which was approved by the Minister on December 22, 2003, and commenced on February 1, 2004. For further information please see the Stewardship Ontario [website](#) and the Resource Productivity and Recovery Authority (RPRA) [website](#).

Stewardship Ontario presented the Blue Box Program budget for 2023, updated projections for 2024-25 and guidance for estimating simplified fees to stewards on October 26, 2021. Relevant documentation, including a discussion paper, presentations and Q&A's from the meeting can be found [here](#).

### Blue Box Program Transition Plan

Stewardship Ontario continued work to satisfy the conditions set for the approval of the Transition Plan.

Stewardship Ontario cancelled plans to change the fee setting methodology to incorporate Material Cost Differentiation (Condition #1) when its focus shifted to a new proposal to simplify fee setting and eliminate the need for Stewards to report supply-to-market data.

Stewardship Ontario's proposal to address Condition #2 (Conflict of Interest) was approved by RPRA on March 31, 2021.

Stewardship Ontario worked closely with RPRA to complete plans to satisfy conditions #3 and #4. Stewardship Ontario's plan in regard to Condition #4 was approved on December 23, 2022. Proposed plans regarding Condition #3 were finalised shortly after the end of the

reporting year, and were approved on January 27th, 2023.

All aspects of the Blue Box Transition Plan are being addressed on time and within budget.

### Steward Registration, Reporting & Audit

There were 1,825 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2023.

With the final approval of the Revised Fee Setting Methodology Addendum to the Blue Box Program Wind Up Plan, most stewards no longer needed to report their annual supply data to Stewardship Ontario in 2023 and for the remaining years of the program. In 2023, 31 steward reports were submitted for the optional/ approved or mandatory circumstances where the simplified fee setting model does not apply:

- Stewards entering/leaving the Ontario market; and/or who had not filed complete 2019 and 2020 data by July 31, 2022
- Divestiture of a subsidiary or product line (and potentially the corresponding acquisition by another steward)
- Discontinuance of a product line
- Newspapers subject to the CNA/OCNA Amendment to the Stewardship Ontario Blue Box Program Plan.

Blue Box fee revenue invoiced for 2023 was \$158,303,926 vs \$169,171,725 for 2022, which is a decrease of 6.87%. Blue Box fee revenue invoiced is 101.52% of the 2023 budgeted fees of \$155,936,800. Please note that steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

Steward reports were analyzed to flag inconsistencies in reporting against prior years. Where inconsistencies are flagged, follow-up activities are initiated to confirm the reported quantities and to make corrections where required. At the end of 2023, all submitted steward reports had undergone desk verification and/or review.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting. In addition, any steward-initiated adjustment request involving a significant amount undergoes an independent third-party audit. With the end of steward reporting the number of active reviews will gradually decline over the course of transition. There are currently no active reviews in progress.

## Program Diversion Performance

The Blue Box Program supports the efforts of Ontario municipalities and First Nations communities to collect and market packaging and printed paper. Municipalities are paid 50% of the costs they incur as a result of the Blue Box Program.

The program is in the process of transitioning to a full EPR program. 69 municipalities transitioned out of the Blue Box Program in Calendar Year 2023 and their data are excluded from the tables below (which reflects recycling activity that occurred in 2022). Consequently, there has been a significant YoY decline in both Recycled tonnes and Generated tonnes reported below. The reported recycling rate for 2022 dropped to 51.9% compared to the previous year. Despite this, access to recycling programs remains consistently high.

	Ontario 2022	Ontario 2021	Ontario 2020	Ontario 2019	Ontario 2018	Ontario 2017	Ontario 2016	YoY Variance %
<b>Recycling Performance</b>								
<b>Recycled Tonnes</b>	403,175	736,380	756,984	729,906	780,555	822,979	836,227	-45.2%
<b>Generated Tonnes</b>	776,419	1,380,911	1,263,401	1,274,310	1,296,207	1,342,017	1,340,947	-43.8%
<b>Recycling Rate</b>	51.9%	53.3%	59.9%	57.3%	60.2%	61.3%	62.4%	-1.4%
<b>Provincial Recycling Target</b>	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	0.0%
<b>Population Serviced by PPP Program</b>	8,056,585	13,562,763	13,412,332	13,205,235	13,078,155	12,962,740	12,814,578	-40.6%
<b>Recycling kg per Capita</b>	50.0	54.3	56.4	55.3	59.7	63.5	65.3	-7.8%
<b>Accessibility Performance</b>								
<b># Households Serviced</b>	3,101,762	5,423,218	5,374,308	5,333,161	5,278,332	5,237,905	5,174,930	-42.8%
<b>% Households with Access to PPP Program</b>	98.1%	94.4%	94.8%	94.0%	94.0%	94.4%	94.6%	4.0%
<b>P&amp;E Cost per Capita</b>	\$0.59	\$ 0.50	\$ 0.56	\$ 0.62	\$ 0.61	\$ 0.56	\$ 0.64	19.7%

## Program Cost

The total net cost of the Blue Box system reported by municipalities and administrative costs for 2022, was \$208.0 million, indicating a substantial decrease of -34.4% from 2021, primarily due to the ongoing transition of municipalities. On the other hand, the net cost per tonne and per capita increased from the previous year.

	Ontario 2022	Ontario 2021	Ontario 2020	Ontario 2019	Ontario 2018	Ontario 2017	Ontario 2016	YoY Variance %
<b>Cost Performance</b>								
<b>Recycled Tonnes</b>	403,175	736,380	756,984	729,906	780,555	822,979	836,227	-45.2%
<b>Net Cost*</b>	\$207,983,414	\$317,181,659	\$ 359,178,458	\$ 336,293,874	\$ 299,307,268	\$249,809,925	\$258,540,366	-34.4%
<b>Net Cost per Tonne</b>	\$516	\$ 431	\$ 474	\$ 461	\$ 383	\$ 304	\$ 309	19.8%
<b>Net Cost per Capita</b>	\$26	\$ 23	\$ 27	\$ 25	\$ 23	\$ 19	\$ 20	10.4%
<b>Recycled kg per capita</b>	50.0	54.3	56.4	55.3	59.7	63.5	65.3	-7.8%

\*Net cost includes 100% of supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs.

## Market Development

As highlighted in the approved Blue Box Transition Plan, a decision was made to not engage in any new market development projects during the wind up of the program. However, Stewardship Ontario has continued to invest and partner with municipalities in Residential Waste Composition Studies as well as Material Recovery Facility (MRF) Material Composition Studies. Highlights of this work are summarized below.

In early 2022 SO determined that, although the curbside and depot waste composition data for single family homes was sufficient, it would address a gap in multi-residential data points. Improving SO's multi-residential waste study data would help to provide a more robust dataset to calculate the provincial obligated Blue Box material residential generation amount and improve performance reporting. Stewardship Ontario worked closely with CIF

to incorporate a broader dataset into the analysis. This included incorporating data from more municipalities, in particular current and historical data from the City of Toronto, the largest multi-residential market in the province. This continued into 2023 and was completed in the first quarter of 2023.

## Promotion and Education

### *Stewardship Ontario Website*

As part of efforts to provide stewards and stakeholders clear, timely and updated information, Stewardship Ontario (SO) launched a new website in 2022 to share information about the SO program as the province began transitioning to a full EPR model in July 2023. The SO website includes the transition plan, resources for stewards prior to and throughout the transition period, as well as information for municipalities.

Ongoing website updates through 2023 included news items and materials related to: an update on RPRA's Approval of Blue Box Transition Plan Conditions, Termination of the Municipal Hazardous or and Special Waste (MHSW) program operated by Stewardship Ontario and, the 2024 Rules Consultation and Annual Producer Meeting Resources.

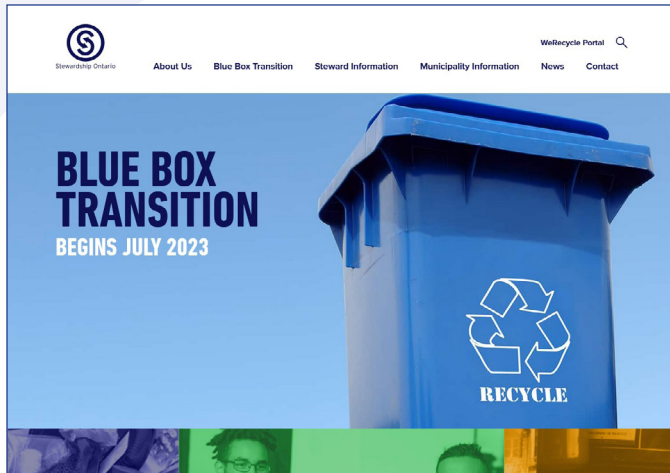
communities may lack the internal resources to create their own compelling digital media content.

SO worked with six interested municipalities and developed a series of "Blue Boxer" resources to inform and educate residents on good recycling practices. Images from the videos are shown below.

In August 2023, an email notice was sent to SO's 296 municipality contacts advising them of the availability of these materials. French translated versions of the material were also produced and distributed in October and in early November a notice was sent with a reminder of the availability of all materials.

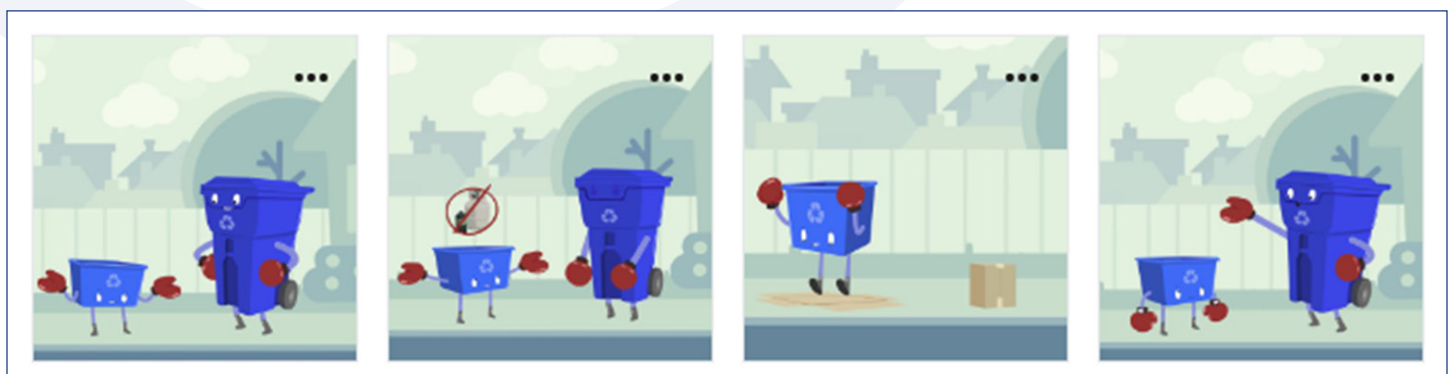
Follow-up monitoring from August through December showed that approximately 50 municipalities had downloaded the English resource material and approximately 5 had downloaded the French resources. Ad hoc monitoring was also undertaken to see if the images appeared in the social media of municipalities that had downloaded the materials.

While these materials were developed in cooperation with a robust group of municipalities to address their requirements and was of high quality - uptake and usage were disappointing.



### ***Municipality Resource Development***

Following up on work that began in 2022, Stewardship Ontario (SO) released a set of digital promotion and education (P&E) resources in 2023 to support late transitioning communities' efforts to maintain the performance of their Blue Box programs. This approach was based, in part, on the understanding that medium and smaller sized





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## ***Social Media***

Stewardship Ontario did not engage in social media campaigns in 2023.



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# **SECTION 2**

## **2023 MHSW Program**

## MHSW Program Status for 2023

### Background

The Minister of the Environment, Conservation and Parks has provided notice of termination for the Municipal Hazardous or Special Waste (MHSW) program operated by Stewardship Ontario, pursuant to section 14 of the Waste Diversion Transition Act, 2016. The September 11, 2023, notice letter is [available here](#).

The MHSW program, also known to consumers as the Orange Drop program, ceased operation on September 30, 2021. Further information about the MHSW wind up is on the [Stewardship Ontario website](#). Former MHSW materials are now collected and recycled under Resource Recovery and Circular Economy Act, 2016 regulations, which are administered by the Resource Productivity and Recovery Authority (RPRA). Information on current recycling of Hazardous and Special Product (HSP) materials can be found on [RPRA's website](#).



Ministry of the Environment,  
Conservation and Parks

Office of the Minister

777 Bay Street, 5th Floor  
Toronto ON M7A 2J3  
Tel.: 416-314-6790

Ministère de l'Environnement,  
de la Protection de la nature et des  
Parcs

Bureau du ministre

777, rue Bay, 5<sup>e</sup> étage  
Toronto (Ontario) M7A 2J3  
Tél. : 416.314.6790



357- 2023-1078

September 11, 2023

Sue Lo  
Administrator  
Stewardship Ontario  
1 St. Clair Avenue West, 7th Floor  
Toronto ON  
M4V 1K6

Robert Poirier  
Chair  
Resource Productivity and Recovery Authority  
4711 Yonge Street, Suite 408  
Toronto ON  
M2N 6K8

Dear Sue Lo and Robert Poirier:

**RE: Notice of Termination – Municipal Hazardous or Special Waste Program**

This letter is to provide notice of termination for the Municipal Hazardous or Special Waste (MHSW) program, pursuant to section 14 of the *Waste Diversion Transition Act, 2016* (WDTA). Upon wind up of the MHSW program, any industry stewardship plans (ISP) will also end at that time, including those ISPs that were operated by Product Care Association for paints, pesticides, solvents and fertilizers, Automotive Material Stewardship for antifreeze, oil filters and oil containers, and SodaStream for Soda Stream's carbon dioxide pressurized containers.

As required by the WDTA, on June 8, 2023, Stewardship Ontario, the MHSW program's industry funding organization, provided me with its final report which summarizes how it implemented the steps in its approved wind-up plan for the MHSW program.

Stewardship Ontario was directed on April 12, 2018, to develop and consult on a wind-up plan for the MHSW program. On December 27, 2019, Stewardship Ontario's wind-up plan was approved by the Resource Productivity and Recovery Authority (the Authority). The Authority also approved subsequent amendments to the wind-up plan, including those related to revised direction for the program wind-up date as well as the distribution of surplus and residual funds.

The MHSW program started on July 1, 2008, and ended operations on September 30, 2021, and collected and managed over 235,000 tonnes of material, in addition to 120,000 tonnes of material collected and managed by separately operated ISPs. The program included nine materials, including paints and coatings, solvents, oil filters, oil containers, antifreeze, pesticides, fertilizers, pressurized containers and single-use batteries.

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Sue Lo and Robert Poirier  
Page 2.

As part of Ontario's transition to a producer responsibility framework under the *Resource Recovery and Circular Economy Act, 2016* (RRCEA), producers of single-use batteries were required to establish and operate collection and management systems as set out under the Batteries Regulation starting on July 1, 2020. Similarly, producers of the eight remaining materials in the MHSW program became obligated for their end of life products under the Hazardous and Special Products (HSP) Regulation on October 1, 2021.

I would like to recognize Stewardship Ontario and the efforts of industry stewards, industry stewardship organizations, municipal representatives, service providers as well as consumers that participated in the MHSW program. I am confident that the current HSP Regulation will continue to build on the former program's success.

Lastly, in addition to this letter being posted on the Environmental Registry, Stewardship Ontario and the Authority shall post this letter on their websites.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Piccini', with a stylized flourish at the end.

David Piccini  
Minister of the Environment, Conservation and Parks

c: Serge Imbrogno, Deputy Minister, Ministry of the Environment, Conservation and Parks  
Frank Denton, CEO, Resource Productivity and Recovery Authority



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# **SECTION 3**

## **2023 Audited Financial Statements**

# **Stewardship Ontario**

## **Financial Statements**

**For the year ended December 31, 2023**

# Stewardship Ontario

## Financial Statements

For the year ended December 31, 2023

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## Independent Auditor's Report

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### 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.



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## Independent Auditor's Report

(Continued)

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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

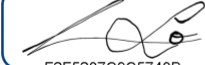
## Stewardship Ontario Balance Sheet

December 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
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

<b>Current</b>		
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
<b>Net Assets</b>		
Unrestricted	24,558,129	16,805,226
	\$ 65,412,890	\$ 73,825,445

On behalf of the Administrator:

DocuSigned by:  
  
 E2E5287C9C5748B

Administrator

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## Stewardship Ontario Statement of Changes in Net Assets

**For the year ended December 31, 2023**

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

**For the year ended December 31, 2022**

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	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)	-
<b>Balance, end of year</b>	<b>\$ 16,805,226</b>	<b>\$ -</b>	<b>\$ 16,805,226</b>

## Stewardship Ontario Statement of Operations

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

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
<b>Cash (used in)</b>		
<b>Operating activities</b>		
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)
<b>Investing activities</b>		
Proceeds from investments, net of expenses	2,431,980	8,504,082
<b>Increase (decrease) in cash during the year</b>	<b>(6,274,559)</b>	<b>319,887</b>
<b>Cash, beginning of year</b>	<b>16,634,930</b>	<b>16,315,043</b>
<b>Cash, end of year</b>	<b>\$ 10,360,371</b>	<b>\$ 16,634,930</b>

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

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# Stewardship Ontario Notes to Financial Statements

**December 31, 2023**

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## 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-battery portion of the MHSW program ceased operation on June 30, 2020 and the remainder of the MHSW program ceased operation on September 30, 2021.

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# Stewardship Ontario

## Notes to Financial Statements

**December 31, 2023**

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### 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.



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## Stewardship Ontario Notes to Financial Statements

**December 31, 2023**

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### 2. Investments

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

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### 3. Accounts and Other Receivables

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

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## Stewardship Ontario Notes to Financial Statements

**December 31, 2023**

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#### 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.

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#### 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.

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#### 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.

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## Stewardship Ontario Notes to Financial Statements

**December 31, 2023**

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### 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.

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### 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>

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### 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.

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### 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.

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# Stewardship Ontario

## Notes to Financial Statements

**December 31, 2023**

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### 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, RPRA 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).

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### 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.

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## Stewardship Ontario Notes to Financial Statements

**December 31, 2023**

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### **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.