

Société de gestion des huiles usagées (SOGHU)
Financial Statements
December 31, 2024

Société de gestion des huiles usagées (SOGHU)

Contents

For the year ended December 31, 2024

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To the Members of
Société de gestion des huiles usagées (SOGHU)

Opinion

We have audited the financial statements of Société de gestion des huiles usagées (SOGHU) (the Organization), which comprise the balance sheet as at December 31, 2024, and the statements of operations, changes in net assets 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, 2024, and the results of its 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 the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

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.

MNP ¹LLP
MNP LLP

Longueuil, Québec
April 4, 2025

¹ By CPA auditor, public accountancy permit No. A135248

Société de gestion des huiles usagées (SOGHU)

Statement of Operations

For the year ended December 31, 2024

	2024	2023
Revenues		
Environmental handling charges (Note 12)	18,319,407	18,061,740
Transfer to Éco-Peinture - aerosol	297,154	230,669
Registration and renewal	5,100	7,600
Changes in the fair market value of investments	942,292	591,946
Interests and dividends on investments	362,339	333,790
Management revenue (Note 3)	532,090	473,123
Other revenues	115,064	44,885
	20,573,446	19,743,753
Program expenses		
Return incentives	18,065,449	15,995,461
Temporary return incentives	1,665,508	686,413
Decontamination incentives	391,487	1,471,348
Collection facilities incentives	17,991	7,739
Temporary incentives to collector	-	70,000
Aerosol incentives - Éco-Peinture	297,154	230,669
Advertising and communications	491,276	294,157
Contributions to RECYC-QUÉBEC	19,577	14,258
Office and general expenses	274,946	138,286
Consulting fees	296,265	95,667
Compliance reviews and audits	368,306	386,755
Bad debts	66,220	27,864
Amortization of fixed assets	16,134	16,720
Amortization of intangible assets	63,301	46,241
	22,033,614	19,481,578
(Deficiency) excess of revenues over expenses - program	(1,460,168)	262,175
Administration expenses		
Office and general expenses	204,784	157,682
Rent	62,511	60,542
Salaries, fringe benefits and management and administration services	1,079,824	945,795
Professional fees	40,433	33,815
Amortization of fixed assets	3,028	24,955
	1,390,580	1,222,789
Deficiency of revenues over expenses	(2,850,748)	(960,614)

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

Société de gestion des huiles usagées (SOGHU)

Statement of Changes in Net Assets

For the year ended December 31, 2024

	<i>Invested in fixed and intangible assets</i>	<i>Allocated to reserve fund (Note 4)</i>	<i>Unrestricted</i>	<i>2024 Total</i>
Balance, beginning of year	89,880	15,800,000	5,436,099	21,325,979
Deficiency of revenues over expenses	(82,463)	-	(2,768,285)	(2,850,748)
Net assets invested in fixed and intangible assets	132,702	-	(132,702)	-
Balance, end of year	140,119	15,800,000	2,535,112	18,475,231

	<i>Invested in fixed and intangible assets</i>	<i>Allocated to reserve fund (Note 4)</i>	<i>Unrestricted</i>	<i>2023 Total</i>
Balance, beginning of year	79,306	15,800,000	6,407,287	22,286,593
Deficiency of revenues over expenses	(87,916)	-	(872,698)	(960,614)
Net assets invested in fixed and intangible assets	98,490	-	(98,490)	-
Balance, end of year	89,880	15,800,000	5,436,099	21,325,979

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

Société de gestion des huiles usagées (SOGHU)

Balance Sheet

December 31, 2024

	2024	2023
Assets		
Current		
Cash	2,180,162	1,557,838
Accounts receivable (Note 5)	6,029,141	6,037,974
Advances to an organization (Note 10)	-	40,314
Prepaid expenses	190,718	18,799
Current portion of investments (Note 6)	1,900,000	2,000,000
	10,300,021	9,654,925
Investments (Note 6)	13,805,816	15,782,861
Fixed assets (Note 7)	52,661	18,044
Intangible assets (Note 8)	87,458	71,836
	24,245,956	25,527,666
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	5,752,255	4,201,687
Dues to an organization (Note 10)	18,470	-
	5,770,725	4,201,687
Net assets		
Unrestricted	2,535,112	5,436,099
Allocated to reserve fund (Note 4)	15,800,000	15,800,000
Invested in fixed and intangible assets	140,119	89,880
	18,475,231	21,325,979
	24,245,956	25,527,666

Commitments (Note 11)

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

Approved on behalf of the Board

Director

Director

Société de gestion des huiles usagées (SOGHU)

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Operating activities		
Deficiency of revenues over expenses	(2,850,748)	(960,614)
Non-cash items:		
Changes in the fair market value of investments	(942,292)	(591,946)
Amortization of fixed assets	19,162	41,675
Amortization of intangible assets	63,301	46,241
	(3,710,577)	(1,464,644)
Net change in non-cash items related to operating activities (Note 13)	1,446,266	(470,611)
	(2,264,311)	(1,935,255)
Investing activities		
Acquisition of fixed assets	(53,779)	(1,471)
Acquisition of intangible assets	(78,923)	(97,019)
Acquisition of investments	-	(3,684,431)
Proceeds on disposal of investments	3,019,337	2,140,040
	2,886,635	(1,642,881)
Increase (decrease) in cash during the year	622,324	(3,578,136)
Cash, beginning of year	1,557,838	5,135,974
Cash, end of year	2,180,162	1,557,838

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

Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

1. Governing statute and nature of business

Société de gestion des huiles usagées (SOGHU) (the Organization) was incorporated under Part III of the Quebec Companies Act. According to the federal and provincial Income Tax Acts, it is a non-profit organization and is therefore exempt from income taxes.

According to the terms of a consent agreement with RECYC-QUÉBEC, the Organization has the mandate to establish and manage a program of recovery and reclamation of used oils and antifreeze, oil or fluid containers, and used filters.

2. Significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents

The Organization's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn, and term deposits with a maturity period of three months or less from the date of acquisition.

Translation of foreign currency transactions and items

The Organization uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses, except for the cost of inventories included in the cost of goods sold and amortization translated at the historical rate, are translated at the exchange rate in effect at the transaction date. Exchange gains and losses are included in the Statement of Operations.

Revenue recognition

Revenues are recognized when there is persuasive evidence that an arrangement exists, the price is fixed or determinable and collection is reasonably assured. Revenues from environmental handling charges are recognized when the lubricating oil or oil containers and oil filters are sold by members, based on their remittance forms, except for revenue from prior years collected in the current year following the audit and new registration, because environmental handling charges must be remitted retroactively for seven years, and for additional revenue determined following a compliance review. These environmental handling charges are recognized in the year during which they are determined and they are recognized when the goods have been received by the clients, i.e., the ownership is transferred to the clients.

Return incentives

Return incentive expenses are recognized when the lubricating oil and antifreeze and/or containers and filters are collected and delivered to the Organization's registered processors.

Processing incentives

Processing incentive expenses are recognized when the lubricating oil and glycol containers are processed by the Organization's registered processors.

Financial instruments

Initial measurement

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost.

Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

2. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

The Organization subsequently measures all its financial assets and liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets and liabilities from a company under common control and subsidiaries are recognized at cost.

Other financial assets are recognized at amortized cost.

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in net income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in net income over the life of the instrument using the effective interest method.

Impairment

For financial assets measured at amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Fixed assets

Fixed assets are accounted for at cost. Amortization is calculated using the straight-line method over the following periods:

	Periods
Collection equipment	5 years
Furniture and fixtures	5 years
Computer hardware	3 years
Leasehold improvements	5 years

Intangible assets

Intangible assets are accounted for at cost. Amortization is calculated using the straight-line method over a period of three years.

Impairment of long-lived assets

Fixed and intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Breakdown of costs

The Organization presents its expenses grouped by function.

Salaries, fringe benefits and management and administration services common to functions "program" and "administration", are equally distributed between the organizations (notes 3 and 11).

Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

2. Significant accounting policies (continued)

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 amounts recognized as revenues and expenses for the periods covered. Actual results may differ from these estimates. These are reassessed on an ongoing basis and changes are recognized in the results of the year in which they become known.

The main items for which a significant estimate was made are the provision for bad debt, the useful life of fixed and intangible assets, the depreciation of fixed and intangible assets, the fair value of investments and the accruals regarding environmental handling charges and return incentives.

3. Management revenue

The Organization provides administrative services to Atlantic Used Oil Management Association (UOMA - Atlantic) to assist in the conception, implementation, and operation of the recovery and reclamation program required to ensure the appropriate recovery and reclamation of the designated products in accordance with each Atlantic province's applicable legislative and regulatory requirements.

Management revenue received from UOMA - Atlantic for services provided are as follows:

	2024	2023
Program		
Advertising and communications	16,253	12,025
Consulting fees	25,127	6,831
Office and general expenses	34,359	25,788
	75,739	44,644
Administration		
Office and general expenses	23,191	35,875
Rent	29,016	24,216
Salaries, fringe benefits and management and administration services	404,144	368,388
	456,351	428,479
	532,090	473,123

4. Net assets allocated to reserve fund

The reserve fund is detailed with the following:

The reserve fund established by the Board of Directors of \$15,000,000 is used to support the sustainability of the Organization and cover operations for a period of 12 months. No allocation has been voted for the year ended December 31, 2024.

During 2022, the Board of Directors voted to increase the reserve fund by \$800,000 to be used for infrastructure in northern territories due to changes made to regulations. No allocation has been voted for the year ended December 31, 2024.

Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

5. Accounts receivable

	2024	2023
Accounts receivable	5,266,394	5,221,911
Allowance for doubtful accounts	(40,068)	(12,668)
	5,226,326	5,209,243
Accounts receivable - UOMA - Atlantic (Note 3)	532,090	473,123
Sales tax receivable	270,725	355,608
	6,029,141	6,037,974

6. Investments

	2024	2023
Investments		
Term deposits, bearing interest at rates ranging from 0.96% to 5.10% (identical to 2023), maturing from June 2025 to March 2033	8,516,267	10,423,899
Mutual funds	7,189,549	7,358,962
	15,705,816	17,782,861
Current portion	1,900,000	2,000,000
	13,805,816	15,782,861

7. Fixed assets

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Collection equipment	221,381	171,470	49,911	14,666
Furniture and fixtures	49,895	49,895	-	399
Computer hardware	54,272	52,182	2,090	1,410
Leasehold improvements	78,602	77,942	660	1,569
	404,150	351,489	52,661	18,044

8. Intangible assets

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Software	628,350	540,892	87,458	71,836

Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

9. Accounts payable and accrued liabilities

	2024	2023
Trade	5,642,821	4,156,219
Salaries payable	109,434	45,468
	5,752,255	4,201,687

10. Dues and advances to an organization

Cash and cash equivalents and the day-to-day management of UOMA - Atlantic are provided by the administrative employees of the Organization. Dues of this other organization consist of the payment of expenses related to the management of this organization. These dues do not bear interest and have no repayment terms.

	2024	2023
Dues to an organization	18,470	-
Advances to an organization	-	40,314

11. Commitments

Management revenue

The Organization has reached an agreement with UOMA - Atlantic that expires on December 31, 2028, with a five-year renewal option. Under this agreement, the Organization must charge a management fee to UOMA - Atlantic calculated on a fixed rate basis according to the number of provinces. For the year ended December 31, 2024, the pro rata basis used is 60% for the Organization and 40% for UOMA - Atlantic (identical in 2023).

In January 2023, the Organization has reached an agreement with RECYC-QUÉBEC that expires on December 31, 2027. Under this agreement, the Organization must charge its members environmental fees and must disburse a financial contribution to RECYC-QUÉBEC. Furthermore, the Organization is under the obligation to undergo compliance reviews provided by firms of its choosing and must take charge of related costs.

The commitment of the Organization under a lease expiring in September 2025 amounts to \$21,637. The instalments over the next year are the following:

2025	21,637
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Société de gestion des huiles usagées (SOGHU)

Notes to the Financial Statements

December 31, 2024

12. Related party transactions

In the normal course of its activities, the Organization collects environmental handling charges from its members and pays incentives to collectors and processors. The members are represented by a board of directors on which some members sit as well as a collector (without voting rights). These transactions are measured at the exchange value and are subject to the Organization's usual commercial conditions.

The following table summarizes the Organization's related party transactions for the year:

	2024	2023
Revenues		
Environmental handling charges	2,546,657	4,877,994
Expenses		
Contribution to RECYC-QUÉBEC	19,577	14,258

Transactions concluded with members of the Organization's Board of Directors during the financial year represent 13.94% of environmental handling charges for the financial year (27.01% in 2023).

In addition, accounts receivable include an amount of \$640,973 (\$1,258,916 in 2023) receivable from companies managed by members of the Organization's Board of Directors.

13. Net change in non-cash items related to operating activities

	2024	2023
Accounts receivable	8,833	671,781
Prepaid expenses	(171,919)	4,623
Advances to an organization	40,314	32,434
Accounts payable and accrued liabilities	1,550,568	(1,179,449)
Dues to an organization	18,470	-
	1,446,266	(470,611)

14. Financial instruments

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Organization by failing to discharge an obligation. The Organization's credit risk is mainly related to cash, accounts receivable and investments.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and its dues to an organization.

Market risk

Market risk is the risk that the fair value or future cash flows of the Organization's financial instruments will fluctuate because of changes in market prices. Some of the Organization's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

14. Financial instruments (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Organization to changes in related future cash flows. As at December 31, 2024, exposure to fixed interest rate risk is related to investments, while exposure to variable interest rate risk is related to cash.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is mainly exposed to other price risk through its investments in quoted shares for which the value fluctuates with the quoted market price.

15. Subsequent events

Subsequent to the end of the fiscal year, the U.S. government announced the imposition of new tariffs on various imported goods, leading to significant economic uncertainty. The potential impact on the Company is currently to be determined.