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May 1, 2020

Connecticut Department of Energy and Environment Protection
ATTN: Tom Metzner
79 Elm St.
Hartford, CT 06106

RE: Public Act 16-122 Section 3

Dear Mr. Metzner,

Per Public Act 16-122 Section 3, we are submitting to the Department of Energy and Environmental Protection certified audited financial statements and the names of contractors and organizations with which PaintCare has a contract with a value of two thousand dollars or more.

The PaintCare Connecticut program undergoes a financial audit annually, following its reporting period of July 1 – June 30. The latest financial audit for calendar year 2019 is provided here. The timeframe for contracts with a value of two thousand dollars is the previous calendar year.

Please contact us if you have any questions.

Thank you,

A handwritten signature in black ink, appearing to read "Laura Honis".

Laura Honis
Connecticut/Rhode Island Program Manager
(203) 747-4494

Encl.

Attachment A: PaintCare contracts with a value of two thousand dollars or more.

1. AlphaGraphics
2. Beveridge & Diamond, P.C,
3. Care Environmental Corp
4. CHWMEG, Inc
5. Civilian Agency
6. Clean Harbors Environmental Services
7. Connecticut Department of Energy and Environmental Protection
8. EZSigns Online
9. MXI Environmental Services
10. Rock Creek Publishing Group
11. Tradebe Environmental Services LLC

PaintCare Inc.

Financial Statements
and Independent Auditors' Report

Twelve Month Periods Ended December 31, 2019 and 2018

PaintCare Inc.

Financial Statements
Twelve Month Periods Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PaintCare Inc.

We have audited the accompanying financial statements of PaintCare Inc. ("PaintCare"), which comprise the statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for twelve month periods then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PaintCare as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for twelve month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, PaintCare adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 18-19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 23, 2020

PaintCare Inc.

Statements of Financial Position December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash	\$ 11,592,998	\$ 12,932,756
Accounts receivable, net	4,160,915	5,678,781
Investments	55,001,406	44,527,270
Prepaid expenses	<u>93,086</u>	<u>175,237</u>
Total current assets	70,848,405	63,314,044
Property and equipment, net	<u>242,861</u>	<u>440,567</u>
Total assets	<u><u>\$ 71,091,266</u></u>	<u><u>\$ 63,754,611</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,932,775	\$ 7,841,441
Due to affiliate	865,118	1,214,428
Grants payable	<u>178,865</u>	<u>-</u>
Total liabilities	<u>8,976,758</u>	<u>9,055,869</u>
Net Assets		
Without donor restrictions	<u>62,114,508</u>	<u>54,698,742</u>
Total net assets	<u>62,114,508</u>	<u>54,698,742</u>
Total liabilities and net assets	<u><u>\$ 71,091,266</u></u>	<u><u>\$ 63,754,611</u></u>

PaintCare Inc.

Statements of Activities
For the Twelve Month Periods Ended December 31, 2019 and 2018

	2019	2018
Operating Revenue and Support		
Paint recovery fees	\$ 60,008,899	\$ 61,077,464
Other income	-	140,962
	<hr/>	<hr/>
Total operating revenue and support	60,008,899	61,218,426
	<hr/>	<hr/>
Expenses		
Program and delivery services:		
Oregon	4,375,335	4,840,564
California	31,370,565	31,602,989
Connecticut	3,380,453	2,956,487
Rhode Island	810,418	685,783
Minnesota	5,130,101	5,024,733
Vermont	817,191	733,989
Maine	1,256,277	1,262,781
Colorado	5,866,575	5,425,078
District of Columbia	398,730	349,479
Washington	41,600	-
	<hr/>	<hr/>
Total program and delivery services	53,447,245	52,881,883
	<hr/>	<hr/>
General and administrative	4,517,663	4,330,431
	<hr/>	<hr/>
Total expenses	57,964,908	57,212,314
	<hr/>	<hr/>
Change in Net Assets from Operations	2,043,991	4,006,112
	<hr/>	<hr/>
Non-Operating Activities		
Loss on disposal of property and equipment	(102,362)	-
Investment income (loss), net	5,474,137	(749,969)
	<hr/>	<hr/>
Total non-operating activities	5,371,775	(749,969)
	<hr/>	<hr/>
Change in Net Assets	7,415,766	3,256,143
	<hr/>	<hr/>
Net Assets, beginning of period	54,698,742	51,442,599
	<hr/>	<hr/>
Net Assets, end of period	\$ 62,114,508	\$ 54,698,742
	<hr/>	<hr/>

See accompanying notes.

PaintCare Inc.

Statement of Functional Expenses
For the Twelve Month Period Ended December 31, 2019

	Program and Delivery Services										General and Administrative	Total		
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington				
Expenses														
Salaries and related benefits	\$ 118,230	\$ 894,784	\$ 95,322	\$ 28,440	\$ 154,247	\$ 39,445	\$ 84,316	\$ 198,284	\$ 12,591	\$ 22,567	\$ 1,428,787	\$ 3,077,013		
Collection support	15,548	3,215,403	461,459	109,772	433,216	87,579	125,267	540,981	35,685	-	-	5,024,910		
Transportation and processing	4,110,650	23,255,793	2,242,897	492,977	4,275,146	674,900	928,091	4,159,813	215,033	-	-	40,355,300		
Communications	40,951	3,312,079	530,808	151,847	196,402	6,426	9,365	645,660	86,642	-	55,628	5,035,808		
Legal fees	7,018	79,845	10,674	14,881	9,903	-	8,416	9,935	9,915	8,849	48,140	207,576		
State agency administrative fees	40,000	307,617	20,000	-	19,891	-	71,003	120,000	26,000	-	-	604,511		
Professional fees	5,687	29,019	5,596	769	2,950	2,829	3,541	34,443	346	193	133,265	218,638		
Office and supplies	439	3,176	218	359	1,809	353	100	2,007	155	445	28,659	37,720		
Subscriptions and publications	866	3,978	172	46	1,358	61	130	869	2	9	64,005	71,496		
Professional development	1,150	23,657	3,822	564	6,082	50	2,633	7,826	-	73	32,959	78,816		
Travel	16,946	137,953	8,602	9,918	18,175	5,471	11,825	43,946	11,959	9,098	144,209	418,102		
Meetings	623	7,210	583	545	1,557	37	148	2,478	92	366	20,187	33,826		
Bank fees	1,025	-	-	-	-	-	657	-	-	-	68,264	69,946		
Management fees	-	-	-	-	-	-	-	-	-	-	2,161,926	2,161,926		
Insurance	-	-	-	-	-	-	-	-	-	-	235,750	235,750		
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	95,343	95,343		
Research and development grant	-	100,000	-	-	-	-	-	100,000	-	-	-	200,000		
Other expenses	16,202	51	300	300	9,365	40	10,785	333	310	-	541	38,227		
Total Expenses	\$ 4,375,335	\$ 31,370,565	\$ 3,380,453	\$ 810,418	\$ 5,130,101	\$ 817,191	\$ 1,256,277	\$ 5,866,575	\$ 398,730	\$ 41,600	\$ 4,517,663	\$ 57,964,908		

See accompanying notes.

PaintCare Inc.

Statement of Functional Expenses
For the Twelve Month Period Ended December 31, 2018

	Program and Delivery Services										Total	
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	General and Administrative		
Expenses												
Salaries and related benefits	\$ 105,463	\$ 708,453	\$ 91,667	\$ 27,432	\$ 132,352	\$ 38,383	\$ 80,588	\$ 182,275	\$ 24,792	\$ 1,381,024	\$ 2,772,429	
Collection support	10,516	3,155,233	406,935	97,718	417,322	71,457	148,109	503,531	33,993	-	4,844,814	
Transportation and processing	4,553,481	23,027,236	2,021,676	471,896	4,199,744	590,526	913,300	3,885,429	196,060	-	39,859,348	
Communications	67,674	3,298,304	394,501	80,589	193,004	10,996	37,128	636,821	85,285	45,205	4,849,507	
Legal fees	1,221	977,367	2,609	263	175	263	5,630	4,724	1,186	29,940	1,023,378	
State agency administrative fees	50,000	178,824	20,000	-	28,331	15,000	53,146	120,000	-	-	465,301	
Professional fees	9,625	6,830	371	321	150	162	176	7,334	150	81,664	106,783	
Office and supplies	1,083	3,592	247	160	1,198	319	425	3,761	12	7,898	18,695	
Subscriptions and publications	868	3,947	223	66	1,278	101	213	1,536	2	73,559	81,793	
Professional development	1,428	17,291	2,337	582	5,247	667	2,513	8,291	74	26,008	64,438	
Travel	22,826	165,552	9,275	3,650	18,246	6,035	21,400	64,492	7,437	169,491	488,404	
Meetings	1,157	10,859	475	48	1,306	71	41	5,725	488	17,190	37,360	
Bank fees	1,216	-	3,922	2,433	-	-	-	-	-	61,709	69,280	
Management fees	-	-	-	-	-	-	-	-	-	2,126,910	2,126,910	
Insurance	-	-	-	-	-	-	-	-	-	220,261	220,261	
Depreciation and amortization	-	-	-	-	-	-	-	-	-	87,330	87,330	
Other expenses	14,006	49,501	2,249	625	26,380	9	112	1,159	-	2,242	96,283	
Total Expenses	\$ 4,840,564	\$ 31,602,989	\$ 2,956,487	\$ 685,783	\$ 5,024,733	\$ 733,989	\$ 1,262,781	\$ 5,425,078	\$ 349,479	\$ 4,330,431	\$ 57,212,314	

PaintCare Inc.

Statements of Cash Flows
For the Twelve Month Periods Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,415,766	\$ 3,256,143
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	95,343	87,330
Loss on disposal of property and equipment	102,363	-
Net realized and unrealized (gain) loss on investments	(4,345,580)	1,773,718
Change in allowance for doubtful accounts receivable	21,275	17,052
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,496,591	(454,317)
Prepaid expenses	82,151	(158,273)
Increase (decrease) in:		
Accounts payable and accrued expenses	91,334	1,449,057
Due to affiliate	(349,310)	(4,169)
Grants payable	178,865	-
Net cash provided by operating activities	<u>4,788,798</u>	<u>5,966,541</u>
Cash Flows from Investing Activities		
Purchases of investments	(16,493,716)	(25,371,978)
Proceeds from sale of investments	10,365,160	19,348,228
Purchases of property and equipment	-	(316,775)
Net cash used in investing activities	<u>(6,128,556)</u>	<u>(6,340,525)</u>
Net Decrease in Cash	<u>(1,339,758)</u>	<u>(373,984)</u>
Cash, beginning of period	<u>12,932,756</u>	<u>13,306,740</u>
Cash, end of period	<u><u>\$ 11,592,998</u></u>	<u><u>\$ 12,932,756</u></u>

See accompanying notes.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Operations

PaintCare Inc. (“PaintCare”), a not-for-profit 501(c)(3) organization, was created in October 2009 by the American Coatings Association (ACA), who, working with state and local government stakeholders, passed the first ever paint product stewardship law in the United States in the state of Oregon in 2009 with implementation of the Oregon Program beginning July 1, 2010. Similar legislation has subsequently been passed in other jurisdictions. The legislation pilots an industry-led, end-of-life management program for post-consumer paint, which PaintCare operates. The PaintCare Board is made up of architectural paint manufacturers and participation in PaintCare is not limited to ACA members, but open to all architectural paint manufacturers. There are no dues or registration fees associated with PaintCare.

PaintCare organized single-member limited liability companies (LLC) for the Oregon, Connecticut, Rhode Island, Maine, Colorado, and District of Columbia programs in an effort to shield the assets of each state program from liability stemming from acts and obligations of other PaintCare state programs.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

PaintCare’s financial statements are prepared on the accrual basis of accounting. Net assets without donor restrictions represent funds that are not subject to donor-imposed stipulations and are available for support of PaintCare’s operations. At December 31, 2019 and 2018, all net assets were without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are recorded at net realizable value and represent amounts due from post-consumer paint recovery fees. PaintCare provides an allowance for bad debts using the allowance method, which is based on management’s judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2019 and 2018 an allowance of \$64,175 and \$42,900, respectively, was recognized.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value, based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment income (loss) in the accompanying statements of activities.

Property and Equipment

Property and equipment with a projected useful life ranging from three to ten years and in excess of \$1,000 are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual assets, ranging from three to ten years.

Revenue Recognition

PaintCare recognizes revenue from post-consumer paint recovery fees at the time architectural paint product is sold by a manufacturer participant of the paint product stewardship program. Manufacturer participants in the program pay the PaintCare recovery fee to PaintCare based on the amount of program products they sell on a monthly basis. The majority of PaintCare's revenue arrangements generally consist of a single performance obligation to transfer promised services. Revenue is recognized when PaintCare delivers the services. Based on PaintCare's evaluation process and review of its contracts with customers, the timing and amount of revenue previously recognized is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Program participants report their monthly unit sales of paint through a secure, HTTPS online system using their unique user ID and password. The participant must pay a paint recovery fee per unit sold, based on container size, according to the established fee schedule for each state program. As the PaintCare recovery fee is added to the wholesale price of paint and passed through uniformly to the retail purchase price of paint—so that the manufacturer, distributor, and/or retailer is made whole—in some cases, distributors or retailers have elected to undertake the obligation of the manufacturer for these fees. Thus, PaintCare has allowed remitter agreements in the program, whereby a distributor or retailer reports and remits directly to PaintCare on behalf of a participant manufacturer's brand or brands. Reports and payments are due by the end of the month following the reporting period.

Revenue from all other sources is recognized when earned.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Communications Costs

PaintCare holds communication-related contracts for advertising, marketing, and consumer awareness. Communications costs are charged to operations when incurred. Communications expenses were \$5,035,808 and \$4,849,507 for the twelve month periods ended December 31, 2019 and 2018, respectively.

Measure of Operations

PaintCare includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes investment income (loss), and loss on disposal of property and equipment.

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. PaintCare has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the change in net assets previously reported.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, PaintCare has evaluated events and transactions for potential recognition or disclosure through March 23, 2020, the date the financial statements were available to be issued.

3. Liquidity and Availability

PaintCare has \$52,167,593 of financial assets available within one year of the statement of financial position date. PaintCare strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As part of this liquidity management, PaintCare invests cash in excess of daily requirements in money market funds and other short-term investments.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 11,592,998	\$ 12,932,756
Accounts receivable, net	4,160,915	5,678,781
Short-term investments	<u>36,413,680</u>	<u>25,934,564</u>
Total available for general expenditures	<u>\$ 52,167,593</u>	<u>\$ 44,546,101</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject PaintCare to significant concentrations of credit risk consist of cash and investments. PaintCare maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). PaintCare has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Accounts Receivable

Accounts receivable related to the following programs were due as follows at December 31:

	<u>2019</u>	<u>2018</u>
California	\$ 2,763,506	\$ 3,605,417
Colorado	380,255	600,899
Minnesota	344,682	614,717
Oregon	342,296	352,980
Connecticut	180,242	225,526
Maine	64,647	95,129
Rhode Island	56,740	70,738
District of Columbia	43,739	52,758
Vermont	48,983	103,517
	<u>4,225,090</u>	<u>5,721,681</u>
Total accounts receivable	4,225,090	5,721,681
Less: allowance for doubtful accounts	<u>(64,175)</u>	<u>(42,900)</u>
Accounts receivable, net	<u>\$ 4,160,915</u>	<u>\$ 5,678,781</u>

6. Investments and Fair Value Measurements

Net investment income (loss) consisted of the following for the twelve month periods ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 1,273,968	\$ 1,169,172
Net realized and unrealized gain (loss)	4,345,580	(1,773,718)
Investment fees	<u>(145,411)</u>	<u>(145,423)</u>
Total investment income (loss), net	<u>\$ 5,474,137</u>	<u>\$ (749,969)</u>

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Investments and Fair Value Measurements (continued)

PaintCare invests a portion of its accumulated surplus in a portfolio with Bank of America/Merrill Lynch. The sole objective of the portfolio is to earn a return equal to the rate of inflation and thus preserve the purchasing power of its capital. Interest, dividends, changes in market value, and other investment activities are allocated to each state program based on the relative net asset balances of each state program. Oversight of the investments is provided by the PaintCare Budget and Finance Committee and by the PaintCare Board of Directors.

PaintCare follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, PaintCare uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. Level 2 inputs include government securities, which are valued based on quoted prices in less active markets.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Investments and Fair Value Measurements (continued)

The following table presents PaintCare's fair value hierarchy for those assets measured on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 623,221	\$ -	\$ -	\$ 623,221
Materials	581,943	-	-	581,943
Industrials	1,763,731	-	-	1,763,731
Consumer discretionary	1,655,869	-	-	1,655,869
Consumer staples	1,328,062	-	-	1,328,062
Health care	2,053,925	-	-	2,053,925
Financials	2,428,028	-	-	2,428,028
Information technology	2,985,474	-	-	2,985,474
Telecommunication service	1,414,594	-	-	1,414,594
Utilities	631,352	-	-	631,352
Real estate	759,835	-	-	759,835
Bend	90,500	-	-	90,500
Mutual funds:				
Exchange traded funds	5,328,669	-	-	5,328,669
Fixed income	9,119,232	-	-	9,119,232
Corporate bonds	7,793,600	-	-	7,793,600
Cash equivalents	1,433,252	-	-	1,433,252
Government securities:				
U.S. Treasury	-	10,741,457	-	10,741,457
U.S. Agency	-	4,268,662	-	4,268,662
Total investments	\$ 39,991,287	\$ 15,010,119	\$ -	\$ 55,001,406

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Investments and Fair Value Measurements (continued)

The following table presents PaintCare's fair value hierarchy for those assets measured on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 596,941	\$ -	\$ -	\$ 596,941
Materials	453,819	-	-	453,819
Industrials	1,339,480	-	-	1,339,480
Consumer discretionary	1,285,508	-	-	1,285,508
Consumer staples	1,035,110	-	-	1,035,110
Health care	1,728,636	-	-	1,728,636
Financials	1,874,340	-	-	1,874,340
Information technology	2,041,301	-	-	2,041,301
Telecommunication service	1,040,963	-	-	1,040,963
Utilities	464,489	-	-	464,489
Real estate	550,772	-	-	550,772
Bend	60,382	-	-	60,382
Mutual funds:				
Exchange traded funds	4,305,076	-	-	4,305,076
Fixed income	7,374,973	-	-	7,374,973
Corporate bonds	7,348,981	-	-	7,348,981
Cash equivalents	891,387	-	-	891,387
Government securities:				
U.S. Treasury	-	8,136,916	-	8,136,916
U.S. Agency	-	3,998,196	-	3,998,196
Total investments	\$ 32,392,158	\$ 12,135,112	\$ -	\$ 44,527,270

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

7. Property and Equipment

PaintCare held the following property and equipment at December 31:

	<u>2019</u>	<u>2018</u>
Software	\$ 354,739	\$ 738,598
Less: accumulated depreciation and amortization	<u>(111,878)</u>	<u>(298,031)</u>
Property and equipment, net	<u>\$ 242,861</u>	<u>\$ 440,567</u>

8. Related Party

ACA, a related party, is a separate, 501(c)(6) nonprofit organization working to advance the needs of the paint and coatings industry and the professionals who work in it. Through advocacy of the industry and its positions on legislative, regulatory, and judicial issues at the federal, state, and local levels, it acts as an effective ally, ensuring that the industry is represented and fairly considered. ACA also devotes itself to advancing industry efforts with regard to product stewardship, through its signature Coating Care[®] resources, and focuses on advancements in science and technology through its technical conferences and journals, as well as online training opportunities. ACA incorporated PaintCare for the sole purpose of implementing programs for post-consumer architectural paint. ACA maintains a controlling interest in PaintCare through the ability to appoint its Board of Directors.

In February 2011, ACA and PaintCare entered into an affiliation agreement whereby ACA charges PaintCare an administrative fee, annually, to cover the following expense categories: allocation of time incurred by PaintCare officers, allocation of other direct labor, and allocation of occupancy and infrastructure costs. The term of the agreement is for one year and automatically renews for one-year terms unless canceled by either party.

For the twelve month periods ended December 31, 2019 and 2018, the total administrative fees charged by ACA to PaintCare were \$2,161,926 and \$2,126,910, respectively. At December 31, 2019 and 2018, PaintCare owed ACA \$865,118 and \$1,214,428, respectively, which is recorded as due to affiliate in the accompanying statements of financial position.

PaintCare Inc.

Notes to Financial Statements
December 31, 2019 and 2018

9. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

10. Income Taxes

PaintCare is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements for PaintCare, as there was no unrelated business taxable income. Contributions to PaintCare are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management evaluated PaintCare's tax positions, and concluded that PaintCare's financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

PaintCare Inc.
Schedule of Activities, Organized by Program
For the Twelve Month Period Ended December 31, 2019

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	General and Administrative	Total
Operating Revenue and Support												
Paint recovery fees	\$ 5,669,810	\$ 34,287,202	\$ 3,423,301	\$ 934,494	\$ 6,191,647	\$ 856,215	\$ 1,308,974	\$ 6,691,728	\$ 645,528	\$ -	\$ -	\$ 60,008,899
Total operating revenue and support	5,669,810	34,287,202	3,423,301	934,494	6,191,647	856,215	1,308,974	6,691,728	645,528	-	-	60,008,899
Expenses												
Program and delivery services:												
Collection support	15,547	3,215,405	461,461	109,774	433,216	87,580	125,269	540,981	35,685	-	-	5,024,918
Transportation and processing	4,110,650	23,255,792	2,242,898	492,977	4,275,145	674,900	928,090	4,159,813	215,034	-	-	40,355,299
Communications	40,951	3,312,079	530,809	151,845	196,402	6,426	9,367	645,660	86,641	-	-	4,980,380
Legal fees	7,018	79,845	10,674	14,881	9,903	-	8,415	9,935	-	8,849	-	159,443
State agency administrative fees	40,000	307,617	20,000	-	19,890	-	71,003	120,000	-	26,000	-	604,510
Other program expenses	161,169	1,199,827	114,611	40,941	195,545	48,285	114,133	390,186	25,455	32,751	-	2,322,903
Total program and delivery services	4,375,335	31,370,565	3,380,453	810,418	5,130,101	817,191	1,256,277	5,866,575	398,730	41,600	-	53,447,245
General and administrative:												
Legal fees	-	-	-	-	-	-	-	-	-	-	48,140	48,140
Management fees	-	-	-	-	-	-	-	-	-	-	2,161,926	2,161,926
Insurance	-	-	-	-	-	-	-	-	-	-	235,750	235,750
Other expense	-	-	-	-	-	-	-	-	-	-	2,071,847	2,071,847
Total general and administrative	-	-	-	-	-	-	-	-	-	-	4,517,663	4,517,663
Total expenses	4,375,335	31,370,565	3,380,453	810,418	5,130,101	817,191	1,256,277	5,866,575	398,730	41,600	4,517,663	57,964,908
Change in Net Assets from Operations	1,294,475	2,916,637	42,848	124,076	1,061,546	39,024	52,697	825,153	246,798	(41,600)	(4,517,663)	2,043,991
Non-Operating Activities												
Investment income	-	-	-	-	-	-	-	-	-	-	5,474,137	5,474,137
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	(102,362)	(102,362)
Change in Net Assets Before Allocation of General and Administrative Activities	1,294,475	2,916,637	42,848	124,076	1,061,546	39,024	52,697	825,153	246,798	(41,600)	854,112	7,415,766
General and administrative allocation	(399,140)	(2,908,883)	(279,075)	(82,187)	(414,144)	(48,859)	(103,722)	(392,692)	(46,984)	(44,338)	4,620,024	-
Investment allocation	-	4,919,764	-	-	24,372	(51,223)	(352)	537,206	44,369	-	(5,474,136)	-
Total Change in Net Assets	995,335	4,927,518	(236,227)	41,889	671,774	(61,058)	(51,377)	969,667	244,183	(85,938)	-	7,415,766
Net Assets (Deficit), beginning of period	(789,708)	46,750,478	3,309,922	783,576	(273,220)	(492,751)	167,476	4,887,696	355,273	-	-	54,698,442
Net Assets (Deficit), end of period	\$ 205,627	\$ 51,677,996	\$ 3,073,695	\$ 825,465	\$ 398,554	\$ (53,727)	\$ 116,099	\$ 5,857,363	\$ 599,456	\$ (85,938)	\$ -	\$ 62,114,508

PaintCare Inc.
Schedule of Activities, Organized by Program
For the Twelve Month Period Ended December 31, 2018

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	General and Administrative	Total
Operating Revenue and Support											
Paint recovery fees	\$ 4,901,932	\$ 35,394,666	\$ 3,488,244	\$ 920,104	\$ 6,535,321	\$ 884,652	\$ 1,410,396	\$ 6,926,703	\$ 615,446	\$ -	\$ 61,077,464
Other income	140,962	-	-	-	-	-	-	-	-	-	140,962
Total operating revenue and support	5,042,894	35,394,666	3,488,244	920,104	6,535,321	884,652	1,410,396	6,926,703	615,446	-	61,218,426
Expenses											
Program and delivery services:											
Collection support	10,516	3,155,233	406,935	97,718	417,322	71,457	148,109	503,531	33,993	-	4,844,814
Transportation and processing	4,553,481	23,027,236	2,021,676	471,896	4,199,744	590,526	913,300	3,885,429	196,060	-	39,859,438
Communications	67,674	3,298,304	394,501	80,589	193,004	10,996	37,128	636,821	85,285	-	4,804,302
Legal fees	1,221	971,567	2,609	263	175	263	5,630	4,724	1,186	-	993,338
State agency administrative fees	50,000	178,824	20,000	-	283,311	15,000	53,146	120,000	-	-	465,301
Other program expenses	157,672	966,025	110,766	35,317	186,157	45,747	105,468	274,373	32,955	-	1,914,680
Total program and delivery services	4,840,564	31,602,989	2,956,487	685,783	5,024,733	733,989	1,262,781	5,425,078	349,479	-	52,881,883
General and administrative:											
Legal fees	-	-	-	-	-	-	-	-	-	29,940	29,940
Management fees	-	-	-	-	-	-	-	-	-	2,126,910	2,126,910
Insurance	-	-	-	-	-	-	-	-	-	220,261	220,261
Other expense	-	-	-	-	-	-	-	-	-	1,953,220	1,953,220
Total general and administrative	-	-	-	-	-	-	-	-	-	4,330,431	4,330,431
Total expenses	4,840,564	31,602,989	2,956,487	685,783	5,024,733	733,989	1,262,781	5,425,078	349,479	4,330,431	57,212,314
Change in Net Assets from Operations	202,330	3,791,677	531,757	234,321	1,510,588	150,663	147,615	1,501,625	265,967	(4,330,431)	4,006,112
Non-Operating Activities											
Investment income	-	-	-	-	-	-	-	-	-	(749,969)	(749,969)
Change in Net Assets Before Allocation of General and Administrative Activities	202,330	3,791,677	531,757	234,321	1,510,588	150,663	147,615	1,501,625	265,967	(5,080,400)	3,256,143
General and administrative allocation	(283,107)	(2,752,971)	(264,117)	(77,782)	(391,947)	(46,240)	(98,162)	(371,644)	(44,461)	4,330,431	-
Investment allocation	-	(690,010)	-	-	4,504	8,705	(1,701)	(67,151)	(4,316)	749,969	-
Total Change in Net Assets	(80,777)	348,696	267,640	156,539	1,123,145	113,128	47,752	1,062,830	217,190	-	3,256,143
Net Assets (Deficit), beginning of period	(708,931)	46,401,782	3,042,282	627,037	(1,396,305)	(605,879)	119,724	3,824,866	138,083	-	51,442,899
Net Assets (Deficit), end of period	(789,708)	46,750,478	3,309,922	783,576	(273,220)	(492,751)	167,476	4,887,696	355,273	-	54,698,742