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Washington, DC 20001
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April 21, 2021

Connecticut Department of Energy and Environmental 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. The latest financial audit for calendar year 2020 is provided here. The timeframe for contracts with a value of two thousand dollars is also 2020.

Please contact us if you have any questions.

Thank you,

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. CHWMEG, Inc
2. Civilian Agency
3. Clean Harbors Environmental Services
4. Connecticut Department of Energy and Environmental Protection
5. EZSigns Online
6. MXI Environmental Services
7. Rock Creek Publishing Group
8. RPP Containers
9. Spectrum Printing and Graphics
10. Tradebe Environmental Services LLC

PaintCare Inc.

Financial Statements
and Independent Auditors' Report

Twelve Month Period Ended December 31, 2020 and 2019

PaintCare Inc.

Financial Statements Twelve Month Period Ended December 31, 2020 and 2019

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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, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for twelve month period 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 the 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, 2020 and 2019, and the changes in its net assets and its cash flows for twelve month period then ended in accordance with accounting principles generally accepted in the United States of America.

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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is fluid and cursive, with a plus sign separating "Rogers" and "Company".

Vienna, Virginia
March 16, 2021

PaintCare Inc.

Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,911,659	\$ 11,592,998
Accounts receivable, net	4,606,670	4,160,915
Investments	59,337,509	55,001,406
Prepaid expenses	<u>61,936</u>	<u>93,086</u>
Total current assets	91,917,774	70,848,405
Intangible assets, net	<u>229,606</u>	<u>242,861</u>
Total assets	<u><u>\$ 92,147,380</u></u>	<u><u>\$ 71,091,266</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,305,941	\$ 7,932,775
Due to affiliate	2,139,549	865,118
Grants payable	<u>100,101</u>	<u>178,865</u>
Total liabilities	<u>11,545,591</u>	<u>8,976,758</u>
Net Assets		
Without donor restrictions	<u>80,601,789</u>	<u>62,114,508</u>
Total net assets	<u>80,601,789</u>	<u>62,114,508</u>
Total liabilities and net assets	<u><u>\$ 92,147,380</u></u>	<u><u>\$ 71,091,266</u></u>

PaintCare Inc.

Statements of Activities
For the Twelve Month Period Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue and Support		
Paint recovery fees	<u>\$ 68,107,028</u>	<u>\$ 60,008,899</u>
Total operating revenue and support	<u>68,107,028</u>	<u>60,008,899</u>
Expenses		
Program and delivery services:		
Oregon	4,512,687	4,375,335
California	28,771,777	31,370,565
Connecticut	2,856,892	3,380,453
Rhode Island	679,444	810,418
Minnesota	4,758,947	5,130,101
Vermont	718,430	817,191
Maine	1,104,108	1,256,277
Colorado	5,415,908	5,866,575
District of Columbia	442,305	398,730
Washington	102,912	41,600
New York	42,451	-
Total program and delivery services	<u>49,405,861</u>	<u>53,447,245</u>
General and administrative	<u>4,549,989</u>	<u>4,517,663</u>
Total expenses	<u>53,955,850</u>	<u>57,964,908</u>
Change in Net Assets from Operations	<u>14,151,178</u>	<u>2,043,991</u>
Non-Operating Activities		
Investment return, net	4,336,103	5,474,137
Loss on disposal of intangible assets	-	(102,362)
Total non-operating activities	<u>4,336,103</u>	<u>5,371,775</u>
Change in Net Assets	<u>18,487,281</u>	<u>7,415,766</u>
Net Assets, beginning of period	<u>62,114,508</u>	<u>54,698,742</u>
Net Assets, end of period	<u><u>\$ 80,601,789</u></u>	<u><u>\$ 62,114,508</u></u>

PaintCare Inc.

Statement of Functional Expenses
For the Twelve Month Period Ended December 31, 2020

	Program and Delivery Services											General and Administrative		Total
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York			
Expenses														
Salaries and related benefits	\$ 115,544	\$ 915,713	\$ 98,382	\$ 32,368	\$ 234,884	\$ 41,696	\$ 88,330	\$ 189,256	\$ 12,189	\$ 38,029	\$ -	\$ 1,590,724	\$ 3,357,115	
Collection support	16,389	3,016,941	441,778	118,762	347,899	65,962	138,956	439,593	29,239	1,989	-	-	-	4,617,508
Transportation and processing	4,280,130	21,897,673	2,154,995	448,261	4,064,857	576,586	791,393	3,909,731	208,547	-	-	-	-	38,332,173
Communications	33,851	2,428,492	124,160	73,060	76,892	1,608	1,315	733,929	161,728	19,256	1,178	10,688	3,666,157	
Legal fees	-	5,784	-	-	-	-	-	5,794	1,913	81	13,617	52,033	79,222	
State agency administrative fees	40,000	402,584	22,400	-	17,171	30,000	78,919	120,000	26,468	22,700	10,000	-	770,242	
Professional fees	647	11,800	3,358	597	1,593	400	781	611	541	14,750	3,486	110,538	149,102	
Office and supplies	7,522	13,525	396	99	1,584	-	156	734	-	1,787	293	24,531	50,627	
Subscriptions and publications	869	16,291	145	43	1,537	60	217	386	-	472	-	62,525	82,545	
Professional development	2,580	18,009	5,336	3,692	3,157	125	2,281	5,245	-	650	4,626	12,181	57,882	
Travel	5,258	42,983	5,167	1,597	9,220	1,956	499	7,182	1,606	2,455	6,533	24,411	108,867	
Meetings	65	1,945	64	101	153	-	-	162	74	10	2,718	1,737	7,029	
Bank fees	1,050	-	661	790	-	-	1,076	-	-	210	-	103,441	107,228	
Management fees	-	-	-	-	-	-	-	-	-	-	-	2,230,558	2,230,558	
Insurance	-	-	-	-	-	-	-	-	-	-	-	254,832	254,832	
Amortization	-	-	-	-	-	-	-	-	-	-	-	63,355	63,355	
Other expenses	8,782	37	50	74	-	37	185	3,285	-	523	-	8,435	21,408	
Total Expenses	\$ 4,512,687	\$ 28,771,777	\$ 2,856,892	\$ 679,444	\$ 4,758,947	\$ 718,430	\$ 1,104,108	\$ 5,415,908	\$ 442,305	\$ 102,912	\$ 42,451	\$ 4,549,989	\$ 53,955,850	

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		
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		

PaintCare Inc.

Statements of Cash Flows
For the Twelve Month Period Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 18,487,281	\$ 7,415,766
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	63,355	95,343
Loss on disposal of intangible assets	-	102,363
Net realized and unrealized gain on investments	(3,292,809)	(4,345,580)
Change in allowance for doubtful accounts receivable	(4,276)	21,275
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(441,479)	1,496,591
Prepaid expenses	31,150	82,151
Increase (decrease) in:		
Accounts payable and accrued expenses	1,373,166	91,334
Due to affiliate	1,274,431	(349,310)
Grants payable	(78,764)	178,865
Net cash provided by operating activities	<u>17,412,055</u>	<u>4,788,798</u>
Cash Flows from Investing Activities		
Purchases of investments	(13,411,519)	(16,493,716)
Proceeds from sale of investments	12,368,225	10,365,160
Purchases of intangible assets	(50,100)	-
Net cash used in investing activities	<u>(1,093,394)</u>	<u>(6,128,556)</u>
Net Increase (Decrease) in Cash	<u>16,318,661</u>	<u>(1,339,758)</u>
Cash, beginning of period	<u>11,592,998</u>	<u>12,932,756</u>
Cash, end of period	<u>\$ 27,911,659</u>	<u>\$ 11,592,998</u>

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

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. Similar legislation has subsequently been passed in other jurisdictions. The paint stewardship legislation guides 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, District of Columbia, Washington and New York 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, 2020 and 2019, all net assets were without donor restrictions.

Cash Equivalents

For the purpose of the statements of cash flows, PaintCare considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

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, 2020 and 2019 an allowance of \$59,899 and \$64,175, respectively, was recognized.

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

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 return in the accompanying statements of activities.

Intangible Assets

PaintCare capitalizes certain costs associated with computer software developed or obtained for internal use in accordance with the provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40, *Internal Use Software*. PaintCare's policy provides for the capitalization of external direct costs of materials and services and directly related payroll costs. Costs associated with preliminary project state activities, training, maintenance, and post implementation stage activities are expensed as incurred. Capitalized costs are amortized over the estimated useful life of five years on a straight-line basis.

Grants Payable

Grants payable represent amounts awarded to organizations for the Innovation Recycling Grant Competition. These funds were committed as of June 30, 2019 and will be paid out over a maximum period of three years on a reimbursement-only basis. Grants payable are included in the accompanying statements of financial position, totaling \$100,101 and \$178,865 at December 31, 2020 and 2019, respectively.

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.

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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. The expenses that are allocated include occupancy 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.

Communications Costs

PaintCare holds communication-related contracts for advertising, marketing, and consumer awareness. Communications costs are charged to operations when incurred. Communications expenses were \$3,666,157 and \$5,035,808 for the twelve month period ended December 31, 2020 and 2019, respectively.

Use of Estimates

The preparation of the 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.

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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 net investment return and loss on disposal of intangible assets.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, PaintCare has evaluated events and transactions for potential recognition or disclosure through March 16, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

PaintCare strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews PaintCare's liquid asset needs and adjusts the cash balances as necessary.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 27,911,659	\$ 11,592,998
Accounts receivable, net	4,606,670	4,160,915
Investments, short term	<u>41,826,898</u>	<u>36,413,680</u>
Total available for general expenditures	<u>\$ 74,345,227</u>	<u>\$ 52,167,593</u>

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

4. Concentration of Credit Risk

Financial instruments that potentially subject PaintCare to significant concentrations of credit risk consist of cash and cash equivalents, 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 cash equivalents, 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.

5. Accounts Receivable

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

	<u>2020</u>	<u>2019</u>
California	\$ 2,679,700	\$ 2,763,506
Colorado	475,008	380,255
Minnesota	549,549	344,682
Oregon	451,841	342,296
Connecticut	246,193	180,242
Maine	95,524	64,647
Rhode Island	64,709	56,740
District of Columbia	45,288	43,739
Vermont	58,757	48,983
 Total accounts receivable	 4,666,569	 4,225,090
Less: allowance for doubtful accounts	(59,899)	(64,175)
 Accounts receivable, net	 <u>\$ 4,606,670</u>	 <u>\$ 4,160,915</u>

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

6. Investments and Fair Value Measurements

Net investment return consisted of the following for the twelve month period ended December 31:

	2020	2019
Interest and dividend income	\$ 1,214,814	\$ 1,273,968
Net realized and unrealized gain	3,292,809	4,345,580
Investment fees	<u>(171,520)</u>	<u>(145,411)</u>
 Total investment return, net	 <u>\$ 4,336,103</u>	 <u>\$ 5,474,137</u>

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 ASC 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, 2020 and 2019

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, 2020:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 378,441	\$ -	\$ -	\$ 378,441
Materials	711,615	-	-	711,615
Industrials	1,933,051	-	-	1,933,051
Consumer discretionary	2,097,775	-	-	2,097,775
Consumer staples	1,437,964	-	-	1,437,964
Health care	2,385,807	-	-	2,385,807
Financials	2,118,876	-	-	2,118,876
Information technology	3,928,706	-	-	3,928,706
Telecommunication service	1,615,083	-	-	1,615,083
Utilities	646,668	-	-	646,668
Real estate	639,260	-	-	639,260
Bend	155,993	-	-	155,993
Mutual funds:				
Exchange traded funds	6,337,235	-	-	6,337,235
Fixed income	10,335,838	-	-	10,335,838
Corporate bonds	8,240,549	-	-	8,240,549
Cash equivalents	1,993,231	-	-	1,993,231
Government securities:				
U.S. Treasury	-	10,694,841	-	10,694,841
U.S. Agency	-	3,686,576	-	3,686,576
Total investments	\$ 44,956,092	\$ 14,381,417	\$ -	\$ 59,337,509

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019

7. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Software	\$ 404,839	\$ 354,739
Less: accumulated amortization	<u>(175,233)</u>	<u>(111,878)</u>
Intangible assets, net	<u><u>\$ 229,606</u></u>	<u><u>\$ 242,861</u></u>

Amortization expense for each year of the estimated remaining lives is estimated to be as follows for the years ending December 31:

2021	\$ 63,355
2022	63,355
2023	63,355
2024	<u>39,541</u>
Future estimated amortization	<u><u>\$ 229,606</u></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.

PaintCare Inc.

Notes to Financial Statements December 31, 2020 and 2019

8. Related Party (continued)

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 it automatically renews for one-year terms unless canceled by either party.

For the twelve month period ended December 31, 2020 and 2019, the total administrative fees charged by ACA to PaintCare were \$2,230,558 and \$2,161,926, respectively. At December 31, 2020 and 2019, PaintCare owed ACA \$2,139,549 and \$865,118, respectively, which is recorded as due to affiliate in the accompanying statements of financial position.

9. 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, 2020

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York	General and Administrative	Total
Operating Revenue and Support													
Paint recovery fees	\$ 6,391,504	\$ 37,953,882	\$ 3,860,401	\$ 1,034,940	\$ 8,029,305	\$ 1,003,047	\$ 1,628,474	\$ 7,581,223	\$ 624,252	- \$	- \$	- \$	68,107,028
Total operating revenue and support	6,391,504	37,953,882	3,860,401	1,034,940	8,029,305	1,003,047	1,628,474	7,581,223	624,252	-	-	-	68,107,028
Expenses													
Program and delivery services:													
Collection support	16,389	3,016,941	441,778	118,762	347,899	65,962	138,956	439,593	29,239	1,989	-	-	4,617,508
Transportation and processing	4,280,130	21,897,673	2,154,995	448,261	4,064,857	576,586	791,393	3,909,731	208,547	-	-	-	38,332,173
Communications	33,851	2,428,492	124,160	73,060	76,892	1,608	1,315	733,929	161,728	19,256	1,178	-	3,655,469
Legal fees	-	5,784	-	-	-	-	-	5,794	1,913	81	13,617	-	27,189
State agency administrative fees	40,000	402,584	22,400	-	17,171	30,000	78,919	120,000	26,468	22,700	10,000	-	770,242
Other program expenses	142,317	1,020,303	113,559	39,361	252,128	44,274	93,525	206,861	14,410	58,886	17,656	-	2,003,280
Total program and delivery services	4,512,687	28,771,777	2,856,892	679,444	4,758,947	718,430	1,104,108	5,415,908	442,305	102,912	42,451	-	49,405,861
General and administrative:													
Legal fees	-	-	-	-	-	-	-	-	-	-	-	52,033	52,033
Management fees	-	-	-	-	-	-	-	-	-	-	-	2,230,558	2,230,558
Insurance	-	-	-	-	-	-	-	-	-	-	-	254,832	254,832
Other expense	-	-	-	-	-	-	-	-	-	-	-	2,012,566	2,012,566
Total general and administrative	-	-	-	-	-	-	-	-	-	-	-	4,549,989	4,549,989
Total expenses	4,512,687	28,771,777	2,856,892	679,444	4,758,947	718,430	1,104,108	5,415,908	442,305	102,912	42,451	4,549,989	53,955,850
Change in Net Assets from Operations													
	1,878,817	9,182,105	1,003,509	355,496	3,270,358	284,617	524,366	2,165,315	181,947	(102,912)	(42,451)	(4,549,989)	14,151,178
Non-Operating Activity													
Investment return, net	-	-	-	-	-	-	-	-	-	-	-	4,336,103	4,336,103
Change in Net Assets Before Allocation of General and Administrative Activities													
	1,878,817	9,182,105	1,003,509	355,496	3,270,358	284,617	524,366	2,165,315	181,947	(102,912)	(42,451)	(213,886)	18,487,281
General and administrative allocation	(286,341)	(2,784,419)	(267,134)	(78,671)	(396,424)	(46,769)	(99,284)	(375,890)	(44,974)	(170,083)	-	4,549,989	-
Investment allocation	-	3,599,655	-	-	196,007	(14,807)	-	509,161	46,087	-	-	(4,336,103)	-
Total Change in Net Assets													
	1,592,476	9,997,341	736,375	276,825	3,069,941	223,041	425,082	2,298,586	183,060	(272,995)	(42,451)	-	18,487,281
Net Assets (Deficit), beginning of period													
	205,627	51,677,996	3,073,695	825,465	398,554	(553,809)	116,099	5,857,363	599,456	(85,938)	-	-	62,114,508
Net Assets (Deficit), end of period	\$ 1,798,103	\$ 61,675,337	\$ 3,810,070	\$ 1,102,290	\$ 3,468,495	\$ (330,768)	\$ 541,181	\$ 8,155,949	\$ 782,516	\$ (358,933)	\$ (42,451)	- \$	80,601,789

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	-	-	4,980,180
Legal fees	7,018	79,845	10,674	14,881	9,903	-	8,415	9,935	9,915	8,849	-	159,435
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 return, net	-	-	-	-	-	-	-	-	-	-	5,474,137	5,474,137
Loss on disposal of intangible assets	-	-	-	-	-	-	-	-	-	-	(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	(299,140)	(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	-	-	54,698,742
Net Assets (Deficit), end of period	\$ 205,627	\$ 51,677,996	\$ 3,073,695	\$ 825,465	\$ 398,554	\$ (553,809)	\$ 116,099	\$ 5,857,363	\$ 599,456	\$ (85,938)	\$ -	\$ 62,114,508