



901 New York Ave NW, Suite 300W  
Washington, DC 20001  
(855) PAINT09 paintcare.org

April 15, 2024

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 2023 is provided here. The timeframe for contracts with a value of two thousand dollars is also 2023.

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. Clean Harbors Environmental Services
2. Connecticut Department of Energy and Environmental Protection
3. EZSigns Online
4. Lydon Fetterolf Corydon, P.A.
5. MXI Environmental Services
6. RPP Containers
7. The Martin Group
8. Tradebe Environmental Services LLC

**PaintCare Inc.**

Financial Statements  
and Independent Auditor's Report

December 31, 2023 and 2022

**PaintCare Inc.**

Financial Statements  
December 31, 2023 and 2022

**Contents**

Independent Auditor’s Report.....	1-3
<i>Financial Statements</i>	
Statements of Financial Position.....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-20
<i>Supplementary Information</i>	
Schedules of Activities, Organized by Program.....	21-22

## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors of  
PaintCare Inc.

### ***Opinion***

We have audited the accompanying financial statements of PaintCare Inc. (“PaintCare”), which comprise the statements of financial position as of December 31, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PaintCare as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 required to be independent of PaintCare and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

***Responsibilities of Management for the Financial Statements (continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PaintCare's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 PaintCare's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PaintCare's ability to continue as a going concern for a reasonable period of time.

***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 20-21 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.



Vienna, Virginia  
March 25, 2024

## PaintCare Inc.

### Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 32,521,385	\$ 37,696,942
Accounts receivable, net	5,300,296	6,233,448
Investments	60,408,475	55,517,141
Prepaid expenses	<u>305,984</u>	<u>1,357,829</u>
Total current assets	98,536,140	100,805,360
Intangible assets, net	<u>53,382</u>	<u>146,397</u>
Total assets	<u>\$ 98,589,522</u>	<u>\$ 100,951,757</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,727,005	\$ 9,621,789
Due to affiliate	<u>6,008,351</u>	<u>6,661,163</u>
Total liabilities	<u>15,735,356</u>	<u>16,282,952</u>
<b>Net Assets</b>		
Without donor restrictions	<u>82,854,166</u>	<u>84,668,805</u>
Total net assets	<u>82,854,166</u>	<u>84,668,805</u>
Total liabilities and net assets	<u>\$ 98,589,522</u>	<u>\$ 100,951,757</u>

See accompanying notes.



**PaintCare Inc.**

Statements of Activities  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Operating Revenue and Support</b>		
Paint recovery fees	\$ 77,499,700	\$ 78,051,449
Other income	26,912	-
	<hr/>	<hr/>
Total operating revenue and support	77,526,612	78,051,449
	<hr/>	<hr/>
<b>Expenses</b>		
Program and delivery services:		
Oregon	4,536,856	4,571,582
California	35,255,096	32,227,769
Connecticut	3,020,816	3,466,111
Rhode Island	792,342	918,970
Minnesota	6,110,219	5,304,423
Vermont	809,869	804,083
Maine	1,393,574	1,321,721
Colorado	7,469,530	7,002,971
District of Columbia	526,261	501,498
Washington	8,063,906	7,154,880
New York	8,886,624	5,698,353
Illinois	82,184	-
	<hr/>	<hr/>
Total program and delivery services	76,947,277	68,972,361
	<hr/>	<hr/>
General and administrative	7,285,309	6,690,140
	<hr/>	<hr/>
Total expenses	84,232,586	75,662,501
	<hr/>	<hr/>
<b>Change in Net Assets from Operations</b>	(6,705,974)	2,388,948
<b>Non-Operating Activity</b>		
Investment return, net	4,891,335	(7,062,910)
	<hr/>	<hr/>
Total non-operating activity	4,891,335	(7,062,910)
	<hr/>	<hr/>
<b>Change in Net Assets</b>	(1,814,639)	(4,673,962)
<b>Net Assets, beginning of year</b>	84,668,805	89,342,767
	<hr/>	<hr/>
<b>Net Assets, end of year</b>	\$ 82,854,166	\$ 84,668,805
	<hr/>	<hr/>

See accompanying notes.

**PaintCare Inc.**

Statement of Functional Expenses  
For the Year Ended December 31, 2023

	Program and Delivery Services												General and Administrative	Total
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York	Illinois		
<b>Expenses</b>														
Salaries and related benefits	\$ 151,717	\$ 944,819	\$ 108,562	\$ 32,352	\$ 201,818	\$ 45,756	\$ 97,493	\$ 327,722	\$ 27,631	\$ 382,471	\$ 609,223	\$ 42,950	\$ 2,486,154	\$ 5,458,668
Collection support	30,940	3,637,199	448,503	109,379	479,600	104,137	159,694	539,886	50,796	239,043	563,924	-	6,332	6,369,433
Transportation and processing	4,164,425	22,507,102	2,382,637	504,199	4,639,909	590,244	955,607	5,630,404	300,645	6,475,102	5,510,185	-	-	53,660,459
Communications	108,868	4,624,855	15,001	118,594	653,626	13,140	61,784	736,430	99,665	794,136	1,940,504	5,449	207,218	9,379,270
State agency administrative fees	40,000	547,035	20,800	-	49,511	15,000	82,000	120,000	30,637	50,180	-	-	-	955,163
Professional fees	983	64,750	33,039	23,309	34,641	34,080	16,621	22,419	580	5,400	43,047	15,854	198,721	493,444
Office and supplies	10,442	10,425	618	106	4,952	426	367	6,409	318	26,015	6,324	489	18,563	85,454
Subscriptions and publications	118	2,869	-	39	415	-	89	276	25	480	1,167	-	137,887	143,365
Professional development	323	1,437	-	-	601	75	-	-	-	269	2,093	24	14,332	19,154
Travel	25,958	174,342	11,277	4,208	44,099	6,932	18,759	82,139	15,623	54,641	66,749	16,558	223,155	744,440
Meetings	657	14,590	-	3	959	-	34	3,280	-	1,014	1,319	860	19,604	42,320
Bank fees	-	-	-	69	-	-	135	-	101	-	-	-	115,376	115,681
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	3,431,733	3,431,733
Insurance	-	-	-	-	-	-	-	-	-	-	6,234	-	328,976	335,210
Amortization	-	-	-	-	-	-	-	-	-	-	1,675	-	96,960	98,635
Interest	-	-	-	-	-	-	-	-	-	34,906	134,104	-	-	169,010
Provision for credit losses	816	2,725,673	379	84	-	79	988	565	240	-	-	-	-	2,728,824
Other expenses	1,609	-	-	-	88	-	3	-	-	249	76	-	298	2,323
<b>Total Expenses</b>	<b>\$ 4,536,856</b>	<b>\$ 35,255,096</b>	<b>\$ 3,020,816</b>	<b>\$ 792,342</b>	<b>\$ 6,110,219</b>	<b>\$ 809,869</b>	<b>\$ 1,393,574</b>	<b>\$ 7,469,530</b>	<b>\$ 526,261</b>	<b>\$ 8,063,906</b>	<b>\$ 8,886,624</b>	<b>\$ 82,184</b>	<b>\$ 7,285,309</b>	<b>\$ 84,232,586</b>

See accompanying notes.

**PaintCare Inc.**

Statement of Functional Expenses  
For the Year Ended December 31, 2022

	Program and Delivery Services											General and Administrative	Total
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York		
<b>Expenses</b>													
Salaries and related benefits	\$ 106,723	\$ 1,053,694	\$ 104,051	\$ 30,995	\$ 221,670	\$ 44,446	\$ 94,184	\$ 316,161	\$ 26,229	\$ 332,291	\$ 557,993	\$ 2,107,646	\$ 4,996,083
Collection support	52,293	3,788,395	452,291	146,673	445,235	109,303	166,021	575,247	37,614	484,942	960,041	8,086	7,226,141
Transportation and processing	4,133,896	22,358,002	2,566,540	535,805	4,033,345	619,635	898,622	5,097,024	272,049	5,377,658	3,497,290	-	49,389,866
Communications	205,029	4,517,754	292,464	173,586	489,373	17,048	41,932	827,229	116,127	813,698	384,619	135,905	8,014,764
Legal fees	3,046	11,243	2,688	-	8,535	-	-	2,861	3,267	204	7,306	266,125	305,275
State agency administrative fees	40,000	255,007	21,000	-	25,053	15,000	82,000	120,000	28,446	24,934	-	-	611,440
Professional fees	973	71,650	18,278	26,125	54,151	(6,215)	19,442	16,286	2,141	17,746	34,841	130,191	385,609
Office and supplies	6,308	13,261	532	53	1,534	317	354	2,856	142	8,237	5,225	9,446	48,265
Subscriptions and publications	353	4,476	-	-	593	-	89	-	-	663	140	77,673	83,987
Professional development	2,400	11,282	80	-	304	98	102	1,517	-	8,195	1,160	5,990	31,128
Travel	19,309	134,857	7,529	5,061	15,450	4,451	13,096	41,576	14,573	45,487	88,752	195,120	585,261
Meetings	123	8,148	144	13	340	-	45	2,214	270	1,192	2,797	83,665	98,951
Bank fees	564	-	514	659	-	-	650	-	640	509	505	124,670	128,711
Management fees	-	-	-	-	-	-	-	-	-	-	-	3,253,455	3,253,455
Insurance	-	-	-	-	-	-	-	-	-	-	4,898	192,890	197,788
Amortization	-	-	-	-	-	-	-	-	-	-	977	96,993	97,970
Interest	-	-	-	-	-	-	-	-	-	35,046	134,104	-	169,150
Other expenses	565	-	-	-	8,840	-	5,184	-	-	4,078	17,705	2,285	38,657
<b>Total Expenses</b>	<b>\$ 4,571,582</b>	<b>\$ 32,227,769</b>	<b>\$ 3,466,111</b>	<b>\$ 918,970</b>	<b>\$ 5,304,423</b>	<b>\$ 804,083</b>	<b>\$ 1,321,721</b>	<b>\$ 7,002,971</b>	<b>\$ 501,498</b>	<b>\$ 7,154,880</b>	<b>\$ 5,698,353</b>	<b>\$ 6,690,140</b>	<b>\$ 75,662,501</b>

See accompanying notes.

**PaintCare Inc.**

Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (1,814,639)	\$ (4,673,962)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization	98,635	97,970
Net realized and unrealized (gain) loss on investments	(3,442,944)	8,270,961
Change in allowance for credit losses on accounts receivable	358,677	28,202
Establishment of allowance for credit losses on note receivable	2,351,584	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	574,475	(1,365,357)
Prepaid expenses	1,051,845	(1,138,288)
Increase (decrease) in:		
Accounts payable and accrued expenses	105,216	1,279,338
Due to affiliate	(652,812)	(437,817)
Grants payable	-	(100,101)
	<u>(1,369,963)</u>	<u>1,960,946</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(7,103,414)	(10,970,373)
Proceeds from sale of investments	5,655,024	9,762,322
Issuance of note receivable	(2,476,720)	-
Proceeds from principal receipts on note receivable	125,136	-
Purchases of intangible assets	(5,620)	(19,515)
	<u>(3,805,594)</u>	<u>(1,227,566)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(5,175,557)</u>	<u>733,380</u>
<b>Cash and Cash Equivalents, beginning of year</b>	<u>37,696,942</u>	<u>36,963,562</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 32,521,385</u>	<u>\$ 37,696,942</u>

*See accompanying notes.*

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 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, District of Columbia, Washington, New York, Colorado, and Illinois 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, 2023 and 2022, 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 90 days or less at the time of purchase.

#### Accounts Receivable

Accounts receivable consist of amounts due from post-consumer paint recovery fees and are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Accounts Receivable (continued)

Allowance for credit losses consists of the following at December 31, 2023:

Allowance for credit losses, beginning of year	\$	85,908
Additions (charges to expense)		358,677
Deductions (write-offs, net of recoveries)		<u>-</u>
Allowance for credit losses, end of year	\$	<u><u>444,585</u></u>

#### 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.

#### 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.

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Specifically, for the various types of contracts, PaintCare recognizes revenue as follows:

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 \$9,379,270 and \$8,014,764 for the years ended December 31, 2023 and 2022, respectively.

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 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.

#### 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.

#### Adopted Accounting Pronouncement

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for PaintCare for the year ended December 31, 2023. PaintCare adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the financial statements as permitted by ASU 2016-13.

#### Subsequent Events

In preparing these financial statements, PaintCare has evaluated events and transactions for potential recognition or disclosure through March 25, 2024, the date the financial statements were available to be issued.



## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 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 and cash equivalents 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 32,521,385	\$ 37,696,942
Accounts receivable, net	5,300,296	6,233,448
Investments, short term	<u>40,777,968</u>	<u>37,007,185</u>
Total available for general expenditures	<u>\$ 78,599,649</u>	<u>\$ 80,937,575</u>

### 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.

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 5. Accounts Receivable

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

	<u>2023</u>	<u>2022</u>
California	\$ 2,461,063	\$ 3,411,421
New York	1,220,636	1,192,427
Washington	555,868	391,647
Colorado	410,988	361,431
Oregon	342,395	286,199
Minnesota	325,316	283,555
Connecticut	208,008	197,968
Maine	84,872	71,206
Rhode Island	53,741	50,125
District of Columbia	30,580	34,664
Vermont	51,414	38,713
	<u>5,744,881</u>	<u>6,319,356</u>
Total accounts receivable	5,744,881	6,319,356
Less: allowance for credit losses	<u>(444,585)</u>	<u>(85,908)</u>
Accounts receivable, net	<u>\$ 5,300,296</u>	<u>\$ 6,233,448</u>

### 6. Note Receivable

Effective September 20, 2023, PaintCare entered into a settlement agreement with a manufacturer who participates in the post-consumer paint recovery program. PaintCare and the manufacturer agreed to convert \$2,476,720 of outstanding paint recovery fees due to the Program into to a structured note receivable. The terms of the note require the manufacturer to make 36 monthly payments of principal and interest, which commenced on October 1, 2023, with two additional payments of principal only due on July 1, 2024 and July 1, 2025, respectively. The note bears an interest rate of 6.6% and accrues monthly on the outstanding balance. As of December 31, 2023, PaintCare established an allowance totaling \$2,351,584 on this note receivable in the event collection does not occur.

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 6. Note Receivable (continued)

The future minimum receipts are as follows for the years ending December 31:

2024	\$	1,134,011
2025		878,802
2026		<u>554,214</u>
Total future receipts of principal and interest		2,567,027
Less: amounts to present interest at 6.6%		(215,443)
Less: allowance for credit losses		<u>(2,351,584)</u>
Note receivable, net	\$	<u><u>-</u></u>

### 7. Investments and Fair Value Measurements

Net investment return consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 1,611,952	\$ 1,373,519
Net realized and unrealized gain (loss)	3,442,944	(8,270,961)
Less: investment management fees	<u>(163,561)</u>	<u>(165,468)</u>
Total investment return, net	<u>\$ 4,891,335</u>	<u>\$ (7,062,910)</u>

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 7. Investments and Fair Value Measurements (continued)

PaintCare invests a portion of its accumulated surplus in a portfolio with 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, 2023 and 2022

**7. 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, 2023:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 907,583	\$ -	\$ -	\$ 907,583
Materials	716,349	-	-	716,349
Industrials	2,312,346	-	-	2,312,346
Consumer discretionary	1,892,060	-	-	1,892,060
Consumer staples	1,583,534	-	-	1,583,534
Health care	2,745,402	-	-	2,745,402
Financials	3,025,555	-	-	3,025,555
Information technology	3,741,872	-	-	3,741,872
Telecommunication service	1,221,635	-	-	1,221,635
Utilities	798,202	-	-	798,202
Real estate	509,653	-	-	509,653
Blend	50,682	-	-	50,682
Mutual funds:				
Exchange traded funds	6,343,481	-	-	6,343,481
Fixed income	11,818,529	-	-	11,818,529
Corporate bonds	5,261,856	-	-	5,261,856
Cash equivalents	2,322,892	-	-	2,322,892
Government securities:				
U.S. Treasury	-	11,899,836	-	11,899,836
U.S. Agency	-	3,257,008	-	3,257,008
Total investments	\$ 45,251,631	\$ 15,156,844	\$ -	\$ 60,408,475

**PaintCare Inc.**

Notes to Financial Statements  
December 31, 2023 and 2022

**7. 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, 2022:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 675,453	\$ -	\$ -	\$ 675,453
Materials	719,099	-	-	719,099
Industrials	1,948,053	-	-	1,948,053
Consumer discretionary	1,613,504	-	-	1,613,504
Consumer staples	1,478,552	-	-	1,478,552
Health care	2,547,584	-	-	2,547,584
Financials	2,535,797	-	-	2,535,797
Information technology	3,131,480	-	-	3,131,480
Telecommunication service	993,792	-	-	993,792
Utilities	687,469	-	-	687,469
Real estate	492,479	-	-	492,479
Blend	140,845	-	-	140,845
Mutual funds:				
Exchange traded funds	6,360,310	-	-	6,360,310
Fixed income	11,455,611	-	-	11,455,611
Corporate bonds	5,145,921	-	-	5,145,921
Cash equivalents	1,253,085	-	-	1,253,085
Government securities:				
U.S. Treasury	-	11,033,637	-	11,033,637
U.S. Agency	-	3,304,470	-	3,304,470
Total investments	\$ 41,179,034	\$ 14,338,107	\$ -	\$ 55,517,141

## PaintCare Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

### 8. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Software	\$ 502,397	\$ 496,777
Less: accumulated amortization	<u>(449,015)</u>	<u>(350,380)</u>
Intangible assets, net	<u>\$ 53,382</u>	<u>\$ 146,397</u>

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

2024	\$ 48,427
2025	1,873
2026	1,873
2027	<u>1,209</u>
Future estimated amortization	<u>\$ 53,382</u>

### 9. Related Party Transactions

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

## **PaintCare Inc.**

Notes to Financial Statements  
December 31, 2023 and 2022

### **9. Related Party Transactions (continued)**

For the years ended December 31, 2023 and 2022, the total administrative fees charged by ACA to PaintCare were \$3,431,733 and \$3,416,530, respectively. At December 31, 2023 and 2022, PaintCare owed ACA \$6,008,351 and \$6,661,163, respectively, which is recorded as due to affiliate in the accompanying statements of financial position.

### **10. Income Taxes**

PaintCare is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, 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.

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 Year Ended December 31, 2023

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York	Illinois	General and Administrative	Total
<b>Operating Revenue and Support</b>														
Paint recovery fees	\$ 5,208,941	\$ 28,268,530	\$ 3,095,469	\$ 813,414	\$ 5,851,678	\$ 798,215	\$ 1,336,052	\$ 6,300,542	\$ 431,102	\$ 8,120,279	\$ 17,275,478	\$ -	\$ -	\$ 77,499,700
Other income	-	26,493	-	-	-	-	-	179	-	-	240	-	-	26,912
<b>Total operating revenue and support</b>	<b>5,208,941</b>	<b>28,295,023</b>	<b>3,095,469</b>	<b>813,414</b>	<b>5,851,678</b>	<b>798,215</b>	<b>1,336,052</b>	<b>6,300,721</b>	<b>431,102</b>	<b>8,120,279</b>	<b>17,275,718</b>	<b>-</b>	<b>-</b>	<b>77,526,612</b>
<b>Expenses</b>														
Program and delivery services:														
Collection support	30,940	3,637,199	448,503	109,379	479,600	104,137	159,694	539,886	50,796	239,043	563,924	-	-	6,363,101
Transportation and processing	4,164,425	22,507,102	2,382,637	504,199	4,639,909	590,244	955,607	5,630,404	300,645	6,475,102	5,510,185	-	-	53,660,459
Communications	108,868	4,624,855	15,001	118,594	653,626	13,140	61,784	736,430	99,665	794,136	1,940,504	5,449	-	9,172,052
State agency administrative fees	40,000	547,035	20,800	-	49,511	15,000	82,000	120,000	30,637	50,180	-	-	-	955,163
Professional fees	983	64,750	33,039	23,309	34,641	34,080	16,621	22,419	580	5,400	43,047	15,854	-	294,723
Other program expenses	191,640	3,874,155	120,836	36,861	252,932	53,268	117,868	420,391	43,938	500,045	828,964	60,881	-	6,501,779
<b>Total program and delivery services</b>	<b>4,536,856</b>	<b>35,255,096</b>	<b>3,020,816</b>	<b>792,342</b>	<b>6,110,219</b>	<b>809,869</b>	<b>1,393,574</b>	<b>7,469,530</b>	<b>526,261</b>	<b>8,063,906</b>	<b>8,886,624</b>	<b>82,184</b>	<b>-</b>	<b>76,947,277</b>
General and administrative:														
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	3,431,733	3,431,733
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	328,976	328,976
Other expense	-	-	-	-	-	-	-	-	-	-	-	-	3,524,600	3,524,600
<b>Total general and administrative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,285,309</b>	<b>7,285,309</b>
<b>Total expenses</b>	<b>4,536,856</b>	<b>35,255,096</b>	<b>3,020,816</b>	<b>792,342</b>	<b>6,110,219</b>	<b>809,869</b>	<b>1,393,574</b>	<b>7,469,530</b>	<b>526,261</b>	<b>8,063,906</b>	<b>8,886,624</b>	<b>82,184</b>	<b>7,285,309</b>	<b>84,232,586</b>
<b>Change in Net Assets from Operations</b>	<b>672,085</b>	<b>(6,960,073)</b>	<b>74,653</b>	<b>21,072</b>	<b>(258,541)</b>	<b>(11,654)</b>	<b>(57,522)</b>	<b>(1,168,809)</b>	<b>(95,159)</b>	<b>56,373</b>	<b>8,389,094</b>	<b>(82,184)</b>	<b>(7,285,309)</b>	<b>(6,705,974)</b>
<b>Non-Operating Activity</b>														
Investment return, net	-	-	-	-	-	-	-	-	-	-	-	-	4,891,335	4,891,335
<b>Change in Net Assets Before Allocation of General and Administrative Activities</b>	<b>672,085</b>	<b>(6,960,073)</b>	<b>74,653</b>	<b>21,072</b>	<b>(258,541)</b>	<b>(11,654)</b>	<b>(57,522)</b>	<b>(1,168,809)</b>	<b>(95,159)</b>	<b>56,373</b>	<b>8,389,094</b>	<b>(82,184)</b>	<b>(2,393,974)</b>	<b>(1,814,639)</b>
General and administrative allocation	(340,874)	(3,180,726)	(290,087)	(88,281)	(459,069)	(51,734)	(109,597)	(464,477)	(55,472)	(619,865)	(1,625,126)	-	7,285,308	-
Investment allocation	-	3,967,977	-	-	398,562	(18,544)	-	487,261	56,078	-	-	-	(4,891,334)	-
<b>Total Change in Net Assets</b>	<b>331,211</b>	<b>(6,172,822)</b>	<b>(215,434)</b>	<b>(67,209)</b>	<b>(319,048)</b>	<b>(81,932)</b>	<b>(167,119)</b>	<b>(1,146,025)</b>	<b>(94,553)</b>	<b>(563,492)</b>	<b>6,763,968</b>	<b>(82,184)</b>	<b>-</b>	<b>(1,814,639)</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>3,141,171</b>	<b>56,302,929</b>	<b>3,496,378</b>	<b>812,969</b>	<b>4,858,865</b>	<b>(217,957)</b>	<b>616,529</b>	<b>7,269,042</b>	<b>816,821</b>	<b>2,589,139</b>	<b>4,982,919</b>	<b>-</b>	<b>-</b>	<b>84,668,805</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 3,472,382</b>	<b>\$ 50,130,107</b>	<b>\$ 3,280,944</b>	<b>\$ 745,760</b>	<b>\$ 4,539,817</b>	<b>\$ (299,889)</b>	<b>\$ 449,410</b>	<b>\$ 6,123,017</b>	<b>\$ 722,268</b>	<b>\$ 2,025,647</b>	<b>\$ 11,746,887</b>	<b>\$ (82,184)</b>	<b>\$ -</b>	<b>\$ 82,854,166</b>

**PaintCare Inc.**

Schedule of Activities, Organized by Program  
For the Year Ended December 31, 2022

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	Washington	New York	General and Administrative	Total
<b>Operating Revenue and Support</b>													
Paint recovery fees	\$ 5,553,008	\$ 31,816,739	\$ 3,333,185	\$ 858,391	\$ 6,068,583	\$ 810,635	\$ 1,360,185	\$ 6,601,551	\$ 509,802	\$ 8,442,788	\$ 12,696,582	\$ -	\$ 78,051,449
<b>Total operating revenue and support</b>	<b>5,553,008</b>	<b>31,816,739</b>	<b>3,333,185</b>	<b>858,391</b>	<b>6,068,583</b>	<b>810,635</b>	<b>1,360,185</b>	<b>6,601,551</b>	<b>509,802</b>	<b>8,442,788</b>	<b>12,696,582</b>	<b>-</b>	<b>78,051,449</b>
<b>Expenses</b>													
Program and delivery services:													
Collection support	52,293	3,788,395	452,291	146,673	445,235	109,303	166,021	575,247	37,614	484,942	960,041	-	7,218,055
Transportation and processing	4,133,896	22,358,002	2,566,540	535,805	4,033,345	619,635	898,622	5,097,024	272,049	5,377,658	3,497,290	-	49,389,866
Communications	205,029	4,517,754	292,464	173,586	489,373	17,048	41,932	827,229	116,127	813,698	384,619	-	7,878,859
Legal fees	3,046	11,243	2,688	-	8,535	-	-	2,861	3,267	204	7,306	-	39,150
State agency administrative fees	40,000	255,007	21,000	-	25,053	15,000	82,000	120,000	28,446	24,934	-	-	611,440
Other program expenses	137,318	1,297,368	131,128	62,906	302,882	43,097	133,146	380,610	43,995	453,444	849,097	-	3,834,991
<b>Total program and delivery services</b>	<b>4,571,582</b>	<b>32,227,769</b>	<b>3,466,111</b>	<b>918,970</b>	<b>5,304,423</b>	<b>804,083</b>	<b>1,321,721</b>	<b>7,002,971</b>	<b>501,498</b>	<b>7,154,880</b>	<b>5,698,353</b>	<b>-</b>	<b>68,972,361</b>
General and administrative:													
Legal fees	-	-	-	-	-	-	-	-	-	-	-	266,125	266,125
Management fees	-	-	-	-	-	-	-	-	-	-	-	3,253,455	3,253,455
Insurance	-	-	-	-	-	-	-	-	-	-	-	192,890	192,890
Other expense	-	-	-	-	-	-	-	-	-	-	-	2,977,670	2,977,670
<b>Total general and administrative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,690,140</b>	<b>6,690,140</b>
<b>Total expenses</b>	<b>4,571,582</b>	<b>32,227,769</b>	<b>3,466,111</b>	<b>918,970</b>	<b>5,304,423</b>	<b>804,083</b>	<b>1,321,721</b>	<b>7,002,971</b>	<b>501,498</b>	<b>7,154,880</b>	<b>5,698,353</b>	<b>6,690,140</b>	<b>75,662,501</b>
<b>Change in Net Assets from Operations</b>	<b>981,426</b>	<b>(411,030)</b>	<b>(132,926)</b>	<b>(60,579)</b>	<b>764,160</b>	<b>6,552</b>	<b>38,464</b>	<b>(401,420)</b>	<b>8,304</b>	<b>1,287,908</b>	<b>6,998,229</b>	<b>(6,690,140)</b>	<b>2,388,948</b>
<b>Non-Operating Activity</b>													
Investment return, net	-	-	-	-	-	-	-	-	-	-	-	(7,062,910)	(7,062,910)
<b>Change in Net Assets Before Allocation of General and Administrative Activities</b>	<b>981,426</b>	<b>(411,030)</b>	<b>(132,926)</b>	<b>(60,579)</b>	<b>764,160</b>	<b>6,552</b>	<b>38,464</b>	<b>(401,420)</b>	<b>8,304</b>	<b>1,287,908</b>	<b>6,998,229</b>	<b>(13,753,050)</b>	<b>(4,673,962)</b>
General and administrative allocation	(313,177)	(2,922,284)	(266,517)	(81,108)	(421,769)	(44,310)	(100,692)	(426,737)	(50,965)	(569,500)	(1,493,081)	6,690,140	-
Investment allocation	-	(5,723,364)	-	-	(488,297)	12,848	-	(782,450)	(81,647)	-	-	7,062,910	-
<b>Total Change in Net Assets</b>	<b>668,249</b>	<b>(9,056,678)</b>	<b>(399,443)</b>	<b>(141,687)</b>	<b>(145,906)</b>	<b>(24,910)</b>	<b>(62,228)</b>	<b>(1,610,607)</b>	<b>(124,308)</b>	<b>718,408</b>	<b>5,505,148</b>	<b>-</b>	<b>(4,673,962)</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>2,472,922</b>	<b>65,359,607</b>	<b>3,895,821</b>	<b>954,656</b>	<b>5,004,771</b>	<b>(193,047)</b>	<b>678,757</b>	<b>8,879,649</b>	<b>941,129</b>	<b>1,870,731</b>	<b>(522,229)</b>	<b>-</b>	<b>89,342,767</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 3,141,171</b>	<b>\$ 56,302,929</b>	<b>\$ 3,496,378</b>	<b>\$ 812,969</b>	<b>\$ 4,858,865</b>	<b>\$ (217,957)</b>	<b>\$ 616,529</b>	<b>\$ 7,269,042</b>	<b>\$ 816,821</b>	<b>\$ 2,589,139</b>	<b>\$ 4,982,919</b>	<b>\$ -</b>	<b>\$ 84,668,805</b>