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May 1, 2019

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 2018 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. Care Environmental Corp
3. CHWMEG, Inc
4. Civilian Agency
5. Clean Harbors Environmental Services
6. Connecticut Department of Energy and Environmental Protection
7. EZSigns Online
8. Mascola Group
9. MXI Environmental Services
10. Rock Creek Publishing Group
11. Tradebe Environmental Services LLC
12. Venable

PaintCare Inc.

Financial Statements
and Independent Auditors' Report

Twelve Month Periods Ended December 31, 2018 and 2017

PaintCare Inc.

Financial Statements
Twelve Month Periods Ended December 31, 2018 and 2017

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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, 2018 and 2017; 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, 2018 and 2017, 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.

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 "R" is large and stylized, and the "+" sign is a simple cross.

Vienna, Virginia
March 27, 2019

PaintCare Inc.

Statements of Financial Position December 31, 2018 and 2017 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash	\$ 12,932,756	\$ 13,306,740
Accounts receivable, net	5,678,781	5,241,516
Investments	44,527,270	40,277,238
Prepaid expenses	<u>175,237</u>	<u>16,964</u>
Total current assets	63,314,044	58,842,458
Property and equipment, net	<u>440,567</u>	<u>211,122</u>
Total assets	<u><u>\$ 63,754,611</u></u>	<u><u>\$ 59,053,580</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,841,441	\$ 6,392,384
Due to affiliate	<u>1,214,428</u>	<u>1,218,597</u>
Total liabilities	<u>9,055,869</u>	<u>7,610,981</u>
Net Assets		
Without donor restrictions	<u>54,698,742</u>	<u>51,442,599</u>
Total net assets	<u>54,698,742</u>	<u>51,442,599</u>
Total liabilities and net assets	<u><u>\$ 63,754,611</u></u>	<u><u>\$ 59,053,580</u></u>

See accompanying notes.

PaintCare Inc.

Statements of Activities
For the Twelve Month Periods Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue and Support		
Paint recovery fees	\$ 61,077,464	\$ 60,554,527
Other income	140,962	86,429
	61,218,426	60,640,956
Expenses		
Program and delivery services:		
Oregon	4,840,564	4,947,135
California	31,602,989	29,828,977
Connecticut	2,956,487	3,056,680
Rhode Island	685,783	684,887
Minnesota	5,024,733	4,942,506
Vermont	733,989	743,783
Maine	1,262,781	1,108,353
Colorado	5,425,078	5,070,756
District of Columbia	349,479	307,304
	52,881,883	50,690,381
General and administrative	4,330,431	4,060,582
	57,212,314	54,750,963
Change in Net Assets from Operations	4,006,112	5,889,993
Non-Operating Activities		
Interest and dividend income	1,169,172	1,027,363
Net realized and unrealized (loss) gain on investments	(1,919,141)	1,875,729
	(749,969)	2,903,092
Change in Net Assets	3,256,143	8,793,085
Net Assets, beginning of period	51,442,599	42,649,514
Net Assets, end of period	\$ 54,698,742	\$ 51,442,599

See accompanying notes.

PaintCare Inc.

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

	Program and Delivery Services										General and Administrative	Total
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia			
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	-	-	-	-	-	-	-	-	-	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	<u>\$ 4,840,564</u>	<u>\$ 31,602,989</u>	<u>\$ 2,956,487</u>	<u>\$ 685,783</u>	<u>\$ 5,024,733</u>	<u>\$ 733,989</u>	<u>\$ 1,262,781</u>	<u>\$ 5,425,078</u>	<u>\$ 349,479</u>	<u>\$ 4,330,431</u>	<u>\$ 57,212,314</u>	

See accompanying notes.

PaintCare Inc.

Statement of Functional Expenses
For the Twelve Month Period Ended December 31, 2017

	Program and Delivery Services										General and Administrative	Total
	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia			
Expenses												
Salaries and related benefits	\$ 81,849	\$ 686,717	\$ 88,332	\$ 26,264	\$ 120,110	\$ 34,642	\$ 73,126	\$ 144,389	\$ 22,699	\$ 1,278,834	\$ 2,556,962	
Collection support	18,378	3,039,037	423,739	102,643	195,850	82,884	134,751	461,818	35,121	-	4,494,221	
Transportation and processing	4,629,903	22,266,855	1,990,203	461,697	4,407,470	591,327	788,633	3,685,583	174,205	-	38,995,876	
Communications	77,132	2,827,358	474,582	82,938	156,235	8,680	11,109	592,780	43,750	13,745	4,288,309	
Legal fees	6,477	505,320	2,894	2,726	-	283	15	6,538	-	12,358	536,611	
State agency administrative fees	40,000	221,456	20,000	-	33,330	15,000	82,000	120,000	26,000	-	557,786	
Professional fees	55,123	40,313	23,614	2,026	4,957	1,117	1,493	5,882	881	148,267	283,673	
Office and supplies	2,501	15,942	141	34	5,714	159	436	1,699	102	8,875	35,603	
Subscriptions and publications	743	6,139	392	107	1,280	115	240	1,686	165	23,629	34,496	
Professional development	689	7,579	1,064	5	3,252	50	1,714	5,569	570	22,926	43,418	
Travel	17,191	170,717	13,085	3,379	12,206	5,507	14,782	42,520	3,516	105,416	388,319	
Meetings	715	15,310	563	19	566	2	4	2,272	32	13,802	33,285	
Bank fees	1,527	-	4,512	2,737	-	-	-	-	-	61,671	70,447	
Management fees	-	-	-	-	-	-	-	-	-	2,117,301	2,117,301	
Insurance	-	-	-	-	-	-	-	-	-	163,709	163,709	
Depreciation	-	-	-	-	-	-	-	-	-	85,335	85,335	
Other expenses	14,907	26,234	13,559	312	1,536	4,017	50	20	263	4,714	65,612	
Total Expenses	<u>\$ 4,947,135</u>	<u>\$ 29,828,977</u>	<u>\$ 3,056,680</u>	<u>\$ 684,887</u>	<u>\$ 4,942,506</u>	<u>\$ 743,783</u>	<u>\$ 1,108,353</u>	<u>\$ 5,070,756</u>	<u>\$ 307,304</u>	<u>\$ 4,060,582</u>	<u>\$ 54,750,963</u>	

See accompanying notes.

PaintCare Inc.

Statements of Cash Flows
For the Twelve Month Periods Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 3,256,143	\$ 8,793,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	87,330	85,335
Net realized and unrealized loss (gain) on investments	1,773,718	(2,001,559)
Change in allowance for doubtful accounts receivable	17,052	12,726
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(454,317)	(624,991)
Prepaid expenses	(158,273)	67,883
Increase (decrease) in:		
Accounts payable and accrued expenses	1,449,057	1,011,890
Due to affiliate	(4,169)	511,227
	<u>5,966,541</u>	<u>7,855,596</u>
Cash Flows from Investing Activities		
Purchases of investments	(25,371,978)	(12,668,109)
Proceeds from sale of investments	19,348,228	6,766,577
Purchases of property and equipment	(316,775)	-
	<u>(6,340,525)</u>	<u>(5,901,532)</u>
Net cash used in investing activities		
	<u>(6,340,525)</u>	<u>(5,901,532)</u>
Net (Decrease) Increase in Cash	(373,984)	1,954,064
Cash, beginning of period	<u>13,306,740</u>	<u>11,352,676</u>
Cash, end of period	<u>\$ 12,932,756</u>	<u>\$ 13,306,740</u>

See accompanying notes.

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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. During 2015, PaintCare organized single-member limited liability companies (LLC) for the Oregon, Connecticut, and Rhode Island 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, 2018 and 2017, 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, 2018 and 2017, an allowance of \$42,900 and \$25,848, respectively, was recognized.

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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 are included 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.

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, 2018 and 2017

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 \$4,849,507 and \$4,288,309 for the twelve month periods ended December 31, 2018 and 2017, 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 realized and unrealized gains and losses on investments, and interest and dividends.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. PaintCare has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers* (Topic 606). The update requires that revenue be recognized to depict the transfer of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for these goods and services, utilizing a five-step analysis of transactions to determine when the revenue is recognized. The guidance is effective for PaintCare beginning in 2019. Although management continues to evaluate the potential impact of this update on PaintCare’s financial statements, management does not believe that the impact of this update will be significant.

Subsequent Events

In preparing these financial statements, PaintCare has evaluated events and transactions for potential recognition or disclosure through March 27, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

PaintCare has \$43,654,714 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 expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 13,824,143
Accounts receivable	5,678,781
Investments appropriated for current use	<u>24,151,790</u>
Total available for general expenditures	<u>\$ 43,654,714</u>

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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.

5. Accounts Receivable

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

	2018	2017
California	\$ 3,605,417	\$ 3,368,499
Colorado	600,899	464,559
Minnesota	614,717	578,769
Oregon	352,980	356,528
Connecticut	225,526	231,909
Maine	95,129	85,413
Rhode Island	70,738	66,448
District of Columbia	52,758	52,436
Vermont	103,517	62,803
Total accounts receivable	5,721,681	5,267,364
Less: allowance for doubtful accounts	(42,900)	(25,848)
Accounts receivable, net	<u>\$ 5,678,781</u>	<u>\$ 5,241,516</u>

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

6. Investments and Fair Value Measurements

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 as well as some mutual funds consisting mainly of fixed income instruments, which are valued based on quoted prices in less active markets.

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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
Mid/small U.S. equity				
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, 2018 and 2017

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, 2017:

	Level 1	Level 2	Level 3	Total
Equities:				
Energy	\$ 710,082	\$ -	\$ -	\$ 710,082
Materials	568,175	-	-	568,175
Industrials	1,540,587	-	-	1,540,587
Consumer discretionary	1,584,332	-	-	1,584,332
Consumer staples	1,012,162	-	-	1,012,162
Health care	1,618,897	-	-	1,618,897
Financials	2,107,810	-	-	2,107,810
Information technology	2,501,892	-	-	2,501,892
Telecommunication service	277,299	-	-	277,299
Utilities	433,312	-	-	433,312
Real estate	520,960	-	-	520,960
Bend	84,513	-	-	84,513
Mutual funds:				
Fixed income	6,136,920	-	-	6,136,920
Corporate bonds	8,389,774	-	-	8,389,774
Cash equivalents	1,471,148	-	-	1,471,148
Government securities:				
U.S. Treasury	-	6,750,894	-	6,750,894
U.S. Agency	-	4,568,481	-	4,568,481
Total investments	\$ 28,957,863	\$ 11,319,375	\$ -	\$ 40,277,238

Investment income consisted of the following for the twelve month periods ended December 31:

	2018	2017
Interest and dividend income	\$ 1,169,172	\$ 1,027,363
Net realized and unrealized (loss) gain	(1,773,718)	2,001,559
Investment fees	(145,423)	(125,830)
Total investment (loss) income	\$ (749,969)	\$ 2,903,092

PaintCare Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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, 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	-	39,859,348
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	977,367	2,609	263	175	263	5,630	4,724	1,186	-	993,438
State agency administrative fees	50,000	178,824	20,000	-	28,331	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	274,573	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:											
Communication	-	-	-	-	-	-	-	-	-	45,205	45,205
Legal fees	-	-	-	-	-	-	-	-	-	29,940	29,940
Management fees	-	-	-	-	-	-	-	-	-	2,126,910	2,126,910
Insurance	-	-	-	-	-	-	-	-	-	220,261	220,261
Other expense	-	-	-	-	-	-	-	-	-	1,908,115	1,908,115
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	(1,396,365)	(605,879)	119,724	3,824,866	138,083	-	51,442,599
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

PaintCare Inc.
Schedule of Activities, Organized by Program
For the Twelve Month Period Ended December 31, 2017

	Oregon	California	Connecticut	Rhode Island	Minnesota	Vermont	Maine	Colorado	District of Columbia	General and Administrative	Total
Operating Revenue and Support											
Paint recovery fees	\$ 4,744,994	\$ 35,391,489	\$ 3,638,576	\$ 937,054	\$ 5,879,684	\$ 903,209	\$ 1,473,982	\$ 6,935,251	\$ 650,288	\$ -	\$ 60,554,527
Other income	86,429	-	-	-	-	-	-	-	-	-	86,429
Total operating revenue and support	4,831,423	35,391,489	3,638,576	937,054	5,879,684	903,209	1,473,982	6,935,251	650,288	-	60,640,956
Expenses											
Program and delivery services:											
Collection support	18,378	3,039,037	423,739	102,643	195,850	82,884	134,751	461,818	35,121	-	4,494,221
Transportation and processing	4,629,903	22,266,855	1,990,203	461,697	4,407,470	591,327	788,633	3,685,583	174,205	-	38,995,876
Communications	77,132	2,827,358	474,582	82,938	156,235	8,680	11,109	592,780	43,750	-	4,274,564
Legal fees	6,477	505,320	2,894	2,726	-	283	15	6,538	-	-	524,253
State agency administrative fees	40,000	221,456	20,000	-	33,330	15,000	82,000	120,000	26,000	-	557,786
Other program expenses	175,245	968,951	145,262	34,883	149,621	45,609	91,845	204,037	28,228	-	1,843,681
Total program and delivery services	4,947,135	29,828,977	3,056,680	684,887	4,942,506	743,783	1,108,353	5,070,756	307,304	-	50,690,381
General and administrative:											
Communication	-	-	-	-	-	-	-	-	-	13,745	13,745
Legal fees	-	-	-	-	-	-	-	-	-	12,358	12,358
Management fees	-	-	-	-	-	-	-	-	-	2,117,301	2,117,301
Insurance	-	-	-	-	-	-	-	-	-	163,709	163,709
Other expense	-	-	-	-	-	-	-	-	-	1,753,469	1,753,469
Total general and administrative	-	-	-	-	-	-	-	-	-	4,060,582	4,060,582
Total expenses	4,947,135	29,828,977	3,056,680	684,887	4,942,506	743,783	1,108,353	5,070,756	307,304	4,060,582	54,750,963
Change in Net Assets from Operations	(115,712)	5,562,512	581,896	252,167	937,178	159,426	365,629	1,864,495	342,984	(4,060,582)	5,889,993
Non-Operating Activities	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	2,903,092	2,903,092
Change in Net Assets Before Allocation of General and Administrative Activities	(115,712)	5,562,512	581,896	252,167	937,178	159,426	365,629	1,864,495	342,984	(1,157,490)	8,793,085
General and administrative allocation	(265,465)	(2,581,418)	(247,658)	(72,935)	(367,521)	(43,359)	(92,046)	(348,486)	(41,694)	4,060,582	-
Investment allocation	-	2,845,386	-	-	(98,493)	(38,810)	1,311	194,160	(462)	(2,903,092)	-
Total Change in Net Assets	(381,177)	5,826,480	334,238	179,232	471,164	77,257	274,894	1,710,169	300,828	-	8,793,085
Net Assets (Deficit), beginning of period	(327,754)	40,575,302	2,708,044	447,805	(1,867,529)	(683,136)	(155,170)	2,114,697	(162,745)	-	42,649,514
Net Assets (Deficit), end of period	\$ (708,931)	\$ 46,401,782	\$ 3,042,282	\$ 627,037	\$ (1,396,365)	\$ (605,879)	\$ 119,724	\$ 3,824,866	\$ 138,083	\$ -	\$ 51,442,599