

GLOBAL PAINT FOR CHARITY, INC.

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD ON OCTOBER 5, 2017

The meeting (the “Meeting”) of the Audit Committee (the “Committee”) of Global Paint for Charity, Inc. (“GPC”) was held at 10:00 a.m. EST on October 5, 2017. Messrs. Tom Gregory and Cliff Stanford attended the Meeting. Mr. Daniel Vildor, CPA, also attended the Meeting at the invitation of the Committee. Mr. Stanford called the Meeting to order at 10:00 a.m. EST.

Financial Statements Discussion

The Committee, in conjunction with Mr. Vildor, GPC’s outside accountant, engaged in a thorough discussion regarding GPC’s financial statements for the first eight months ended August 31, 2017 (the “Financial Statements”), attached hereto as Exhibit A. The Committee specifically focused on the exclusion from GPC revenues of the \$800,800 of paint contributions and \$78,599 of freight donated by Earth Paints, a 501(c)(3) recycling organization, and the accounting reasons for such exclusion. Mr. Gregory and Mr. Vildor discussed classification of the donations in accordance with GAAP and FASB standards. The Audit Committee specifically discussed (1) whether the Earth Paints donations should be counted as revenue in the Financial Statements, (2) what kind of donations/contributions should generally be included as revenue under GAAP and FASB (especially with regard to in-kind contributions), and (3) how to correct any discrepancies in the Financial Statements to more accurately align with GAAP and FASB standards. Noting that there were still open questions that needed discussion with Rony Delgarde, the Audit Committee agreed that the Financial Statements properly reflect GPC’s financial position based upon information available at this time.

Inventory Improvement Plan

Mr. Gregory and Mr. Vildor discussed the inventory improvement plan, attached hereto as Exhibit B, which would transform the current system to a perpetual inventory system, which would allow GPC to continually update its inventory records to account for additions and subtractions from inventory. The Audit Committee agreed that plan is a good way to reorganize the warehouse and to ensure more accurate accounting of inventory for financial statements purposes.

Audit Committee Charter

Mr. Stanford presented the draft Audit Committee Charter to the Audit Committee. Mr. Stanford noted that the Charter would help ensure compliance and professionalize GPC, allowing for increased opportunities to solicit donations from established companies. A discussion ensued regarding sections of the Charter to revise including sections regarding procedures taken when relying on independent auditors and management preparation of and determination of accuracy of financial statements.

Mr. Stanford agreed to revise the Audit Committee Charter and the Audit Committee agreed to review the revised Charter at the following meeting of the Audit Committee.

Stipend for Mr. Delgarde

The Audit Committee discussed mechanics of providing a stipend to Mr. Delgarde in order to defray his expenses and what impact such a stipend would have on the financials. The Audit Committee agreed to present their recommendation to the Board for discussion at the regularly scheduled Board Meeting.

There being no further business, the Board adjourned the Meeting at 11:00 a.m.

/s/ John Gerl
Mr. John Gerl
Secretary of the Meeting

Exhibit A

Global Paint for Charity
Statement of Activities
For the Eight Months ended August 31, 2017

Notes

Revenues:	
Cash Contributions	\$ 25,747
Fundraising	-
In-Kind Non Paint Contributions	2,850
In-Kind Paint Contributions	101,312
Total Revenues	<u>\$ 129,909</u>
Expenses:	
Bank Fees	\$ 164
Call Phone	867
Dues & Subscriptions	413
Freight	8,902
Fuel	1,243
Insurance	873
Internet	397
Licenses and Permits	148
Marketing	1,606
Meals & Entertainment	959
Office Supplies	612
Parking & Tolls	171
Postage & Delivery	744
Rental- Equipment	978
Rent-Storage	3,094
Supplies	1,031
Travel- Airfare	543
Travel- Lodging	169
Uniform	68
In-Kind Expenses Non Paint	2,850
In-Kind Paint Shipments	121,968
Total Expenses	<u>\$ 147,800</u>
Change in Net Assets	\$ (17,891)
+ Beginning Net Assets	157,079
= Ending Net Assets	<u><u>\$ 139,188</u></u>

Excludes \$880,800 of paint contributions and \$78,599 of freight donated by Earth Paints, a 501c3 recycling organization. In order for GPC to recognize revenue on these in kind donations it must meet both of these criteria- it decides who and where the paint is shipped to and bears the risks and rewards if they are lost or destroyed. If both criteria are not met then GPC is acting as an agent. GPC does not meet the second criterion therefore, it should not recognize revenue from this donor.

Excludes same amounts as noted above.

Global Paint for Charity
Statement of Financial Position
As of August 31, 2017

Assets

Cash	\$ 5,551
Paint Inventory Without Donor Restrictions	<u>133,637</u>
 Total assets	 <u><u>\$ 139,188</u></u>

Liabilities and Net Assets

Net assets:	
Net Assets without Donor Restrictions	<u>\$ 139,188</u>
 Total liabilities and net assets	 <u><u>\$ 139,188</u></u>

Global Paint for Charity
Statement of Cash Flows
For the Eight Months ended August 31, 2017

Cash Flow from Operating Activities

Change in net assets	\$ (17,891)
Change in operating assets and liabilities	<u>20,656</u>
Net cash provided by operating activities	<u>2,765</u>
Cash at beginning of year	<u>2,786</u>
Cash at end of year	<u><u>\$ 5,551</u></u>

Global Paint for Charity
Statement of Functional Expenses
For the Eight Months ended August 31, 2017

	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Programs</u>	<u>Totals</u>
Expenses:				
Bank Fees	\$ 164			\$ 164
Cell Phone	867			867
Dues & Subscriptions	413			413
Freight			8,902	8,902
Fuel			1,243	1,243
Insurance			873	873
Internet	397			397
Licenses and Permits			148	148
Marketing		1,606		1,606
Meals & Entertainment		959		959
Office Supplies	612			612
Parking & Tolls	171			171
Postage & Delivery	744			744
Rental- Equipment			978	978
Rent-Storage			3,094	3,094
Supplies	516		515	1,031
Travel- Airfare	543			543
Travel- Lodging	169			169
Uniform			68	68
In-Kind Expenses Non Paint	2,850	-		2,850
In-Kind Paint Shipments			121,968	121,968
Total Expenses	<u>\$ 7,446</u>	<u>\$ 2,565</u>	<u>\$ 137,789</u>	<u>\$ 147,800</u>
Operational Efficiency	<u>\$ 0.05</u>	<u>\$ 0.02</u>	<u>\$ 0.93</u>	<u>\$ 1.00</u>

Exhibit B

Global Paint for Charity, Inc.
Paint Warehouse

Daniel Vildor, pro bono accountant and Thomas Gregory visited GPC's Atlanta warehouse on September 21, 2017 to take a physical inventory of the paint. We were unable to conduct the inventory because the paint was not segregated by color or by one gallon or five gallon quantities.

Setting up a perpetual inventory system has the advantages of both providing up-to-date inventory balance information and requiring a reduced level of physical inventory counts.

Under the perpetual inventory system, GPC can continually update its inventory records to account for the additions and subtractions for inventory.

To put the perpetual inventory system in place will require the assistance of volunteers to help organize the paint.

Proposed Improvement Plan:

1. Segregate or dispose of all opened one gallon cans and five gallon containers.
2. Separate unopened one gallon and five gallon paint containers by color.
3. Check shelf life of the unopened one gallon and five gallon containers and place them in order of expiration dates.
4. Put signs on the wall denoting the color and whether paint is in one gallon or five gallon.
5. Take physical count of each paint color and paint can/container size which will represent the beginning inventory balances.
6. Record color of paint, size one gallon or five gallon on inventory sheet.