

**Publicolor, Inc.**

Financial Statements

June 30, 2022 and 2021

## Independent Auditors' Report

**Board of Directors**  
**Publicolor, Inc.**

### *Opinion*

We have audited the accompanying financial statements of Publicolor, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021 and 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 the Organization as of June 30, 2022 and 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 the Organization'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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.

*PKF O'Connor Davies, LLP*

January 20, 2023

**Publicolor, Inc.**

Statements of Financial Position

	June 30	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,991,590	\$ 2,149,737
Investments	14,568	276,699
Receivables, net	852,611	1,046,979
Paint inventory	15,867	12,510
Prepaid expenses and other	147,459	134,361
Total Current Assets	<u>4,022,095</u>	<u>3,620,286</u>
Security deposits	105,896	103,377
Property and equipment, net	<u>235,150</u>	<u>247,291</u>
Total Assets	<u>\$ 4,363,141</u>	<u>\$ 3,970,954</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 90,341	\$ 123,861
Deferred rent payable, current	31,468	24,432
Total Current Liabilities	<u>121,809</u>	<u>148,293</u>
Paycheck Protection Program loan	-	371,700
Deferred rent payable, non-current	131,426	162,894
Total Liabilities	<u>253,235</u>	<u>682,887</u>
Net Assets		
Without Donor Restrictions		
Current	2,171,326	1,809,570
Board-directed (reserve fund)	977,170	976,354
Total Without Donor Restrictions	<u>3,148,496</u>	<u>2,785,924</u>
With donor restrictions	961,410	502,143
Total Net Assets	<u>4,109,906</u>	<u>3,288,067</u>
Total Liabilities and Net Assets	<u>\$ 4,363,141</u>	<u>\$ 3,970,954</u>

See notes to financial statements

**Publicolor, Inc.**

Statements of Activities

	Year Ended					
	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING</b>						
Public Support and Revenue:						
Contributions	\$ 767,792	\$ 1,702,126	\$ 2,469,918	\$ 1,422,239	\$ 962,841	\$ 2,385,080
Fundraising campaign, net of direct costs of \$177,486 and \$-0-	1,190,333	-	1,190,333	1,220,354	-	1,220,354
Paycheck Protection Program loan forgiveness	371,700	-	371,700	335,300	-	335,300
Contract and service revenue	248,935	-	248,935	76,156	-	76,156
Donated goods and services	75,475	-	75,475	118,905	-	118,905
Investment return and other income	11,087	-	11,087	9,847	-	9,847
Net assets released from restrictions	<u>1,242,859</u>	<u>(1,242,859)</u>	<u>-</u>	<u>843,787</u>	<u>(843,787)</u>	<u>-</u>
Total Public Support and Revenue	<u>3,908,181</u>	<u>459,267</u>	<u>4,367,448</u>	<u>4,026,588</u>	<u>119,054</u>	<u>4,145,642</u>
Expenses:						
Program services	2,543,009	-	2,543,009	2,413,449	-	2,413,449
Management and general	472,146	-	472,146	479,742	-	479,742
Fundraising	<u>630,256</u>	<u>-</u>	<u>630,256</u>	<u>518,169</u>	<u>-</u>	<u>518,169</u>
Total Expenses	<u>3,645,411</u>	<u>-</u>	<u>3,645,411</u>	<u>3,411,360</u>	<u>-</u>	<u>3,411,360</u>
Change in Net Assets from Operations	<u>262,770</u>	<u>459,267</u>	<u>722,037</u>	<u>615,228</u>	<u>119,054</u>	<u>734,282</u>
<b>NON-OPERATING ACTIVITY</b>						
Other income	99,802	-	99,802	-	-	-
Donated Services, Legal						
Revenue	217,530	-	217,530	-	-	-
Expense	<u>(217,530)</u>	<u>-</u>	<u>(217,530)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>99,802</u>	<u>-</u>	<u>99,802</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	362,572	459,267	821,839	615,228	119,054	734,282
<b>NET ASSETS</b>						
Beginning of year	<u>2,785,924</u>	<u>502,143</u>	<u>3,288,067</u>	<u>2,170,696</u>	<u>383,089</u>	<u>2,553,785</u>
End of year	<u>\$ 3,148,496</u>	<u>\$ 961,410</u>	<u>\$ 4,109,906</u>	<u>\$ 2,785,924</u>	<u>\$ 502,143</u>	<u>\$ 3,288,067</u>

See notes to financial statements

**Publicolor, Inc.**

Statements of Functional Expenses

	Year Ended							
	June 30, 2022				June 30, 2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,398,176	\$ 213,217	\$ 457,621	\$ 2,069,014	\$ 1,220,900	\$ 254,726	\$ 319,658	\$ 1,795,284
Payroll taxes and employee benefits	250,904	38,262	82,121	371,287	250,436	52,251	65,570	368,257
Student stipends	132,242	-	2,812	135,054	156,739	-	-	156,739
Professional fees	45,594	110,320	-	155,914	6,500	29,119	48,665	84,284
Scholarships, college tours and workshops	102,136	-	-	102,136	147,414	-	-	147,414
Food and onsite project costs	62,990	37	2,441	65,468	26,601	-	-	26,601
Project travel and auto	48,773	66	612	49,451	79,800	-	-	79,800
Paint and project supplies	105,078	-	8,690	113,768	79,367	-	-	79,367
Paint and other project supplies - in-kind	19,989	-	-	19,989	71,526	-	2,743	74,269
Events	1,695	-	180,063	181,758	-	-	20,332	20,332
Occupancy	259,537	19,581	19,581	298,699	260,615	24,820	24,820	310,255
Depreciation and amortization	59,383	5,193	5,554	70,130	57,430	5,470	5,470	68,370
Office	31,153	7,982	4,288	43,423	25,133	11,562	4,638	41,333
Insurance	19,016	1,811	1,811	22,638	29,870	2,845	2,845	35,560
Subscription, payroll services, recruitment and miscellaneous	6,343	50,632	21,040	78,015	1,118	21,549	4,668	27,335
Development and cultivation	-	1,045	21,108	22,153	-	-	18,760	18,760
Provision for bad debts	-	24,000	-	24,000	-	77,400	-	77,400
	<u>2,543,009</u>	<u>472,146</u>	<u>807,742</u>	<u>3,822,897</u>	<u>2,413,449</u>	<u>479,742</u>	<u>518,169</u>	<u>3,411,360</u>
Less expenses of direct benefit to donors	-	-	(177,486)	(177,486)	-	-	-	-
	<u>\$ 2,543,009</u>	<u>\$ 472,146</u>	<u>\$ 630,256</u>	<u>\$ 3,645,411</u>	<u>\$ 2,413,449</u>	<u>\$ 479,742</u>	<u>\$ 518,169</u>	<u>\$ 3,411,360</u>

See notes to financial statements

**Publicolor, Inc.**

Statements of Cash Flows

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 821,839	\$ 734,282
Adjustments to reconcile change in net assets to net cash from operating activities		
Paycheck Protection Program loan forgiveness	(371,700)	(335,300)
Net realized and unrealized loss on investments	1,923	-
Depreciation and amortization	70,130	68,370
Provision for bad debts	24,000	77,400
Change in deferred rent payable	(24,432)	108,329
Changes in Assets and Liabilities		
Receivables	170,368	(546,095)
Paint inventory	(3,357)	4,521
Prepaid expenses and other	(13,098)	(13,218)
Security deposits	(2,519)	(2,457)
Accounts payable and accrued expenses	<u>(33,520)</u>	<u>(111,259)</u>
Net Cash From Operating Activities	<u>639,634</u>	<u>(15,427)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	276,650	-
Purchase of investments	(16,442)	(9,152)
Purchase of property and equipment	<u>(57,989)</u>	<u>(7,115)</u>
Net Cash From Investing Activities	<u>202,219</u>	<u>(16,267)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>371,700</u>
Net Increase in Cash and Cash Equivalents	841,853	340,006
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,149,737</u>	<u>1,809,731</u>
End of year	<u>\$ 2,991,590</u>	<u>\$ 2,149,737</u>

See notes to financial statements

## **Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

### **1. Organization and Tax Status**

#### ***Organization***

Publicolor, Inc. (the "Organization"), is a nonprofit organization whose mission is to fight poverty by using design-based programming to aggressively address the alarming rate of youth disengagement in New York City. The Organization deliberately targets high-risk, low-income students in a multi-year continuum of programs to encourage academic achievement, college preparation, job readiness, and community service. This unique applied learning model uses design and design thinking to stimulate and inspire students, empowering them to prepare for success in school, work, and life.

The Organization's continuum of creative youth development programs - Paint Club, COLOR Club, Next Steps, Summer Design Studio, Design Studio, Fresh Coat, and the Publicolor College Scholarship for Community Service - are anchored in high expectations and the belief that when students experience daily successes, they build the self-confidence necessary to achieve more in all areas of their life, including school, where risk-taking is inherent to real learning. In fiscal 2021, as a result of the Coronavirus pandemic, many of Publicolor's programs were conducted online, with very limited opportunities for in-person painting. In fiscal 2022, Publicolor resumed in-person painting and conducted services both in person and on-line.

#### ***Paint Club***

The Organization's introductory program engages disaffected students in the revitalization of low-performing middle and high schools. Participants learn commercial painting skills as well as strong, transferable work habits such as time management, attention to detail, communication, project management, and teamwork. By changing environments, the Organization aims to change attitudes and behaviors with a new sense of focus, determination and energized environments of learning.

#### ***COLOR Club (Community of Leaders Organizing Revitalization)***

A multi-year, three-day-a-week apprenticeship program for Paint Club graduates at the 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> grade levels providing them with weekly career exposure and life skills workshops, academic tutoring, and Saturday painting opportunities that hone their work skills. COLOR Club offers rigorous weekly workshops organized into industry-centric modules that allow students to explore different career paths and the skills needed in each. COLOR Club students also learn design thinking skills, which helps them develop critical thinking skills and creative problem-solving skills. Design thinking as an approach to education teaches meaningful control over their lives. Engaging in the design process helps the students draw from their own creativity, which in turn, empowers them to be shapers of their world.



## **Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

### **1. Organization and Tax Status (*continued*)**

#### ***Next Steps***

A three-year, three-day-a-week college and career preparation program for 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> graders for approximately 85 high school juniors and seniors, and students who are transitioning to college or post-secondary options. The program builds upon the COLOR Club model, offering weekly and college prep workshops, academic tutoring, and Saturday participation at school and community painting sites. Weekly career and college preparation activities include resume preparation, job shadowing, mock interviews, college applications, S.A.T. preparation, financial aid guidance, college search, and multi-day, multi-campus college tours.

#### ***Summer Design Studio (SDS)***

A seven-week, five-day a week program that immerses students in math and literacy through the scaffold of production design for 120-130 youths, ages 14-21. The Organization created SDS as an antidote to summer learning loss. SDS enrolls students from its continuum of programs that are offered during the school year. The summer months prove to be critical for the low-income, academically struggling students whose families cannot afford to pay for summer enrichment activities. SDS offers the students a rare opportunity to continue their learning in July and August, ensuring that they stay on track for academic success. The SDS program also includes S.A.T. preparation classes and offers disadvantaged youth crucial employment and work experience every afternoon by involving them in painting under-resourced but vital neighborhood facilities.

#### ***Design Studio***

Publicolor developed the Design Studio program in 2020 in order to provide rigorous programming for students in an on-line learning environment. Based on the Summer Design Studio program, Design Studio is a six-week, up to four-days a week project-based-learning program that can take place during the school day or after-school. The program encourages students to develop graphic design skills to communicate complex ideas, and can be adapted to work with academic curricula in a variety of subject areas. Students also learn to use online design software tools. While initially developed to serve students when health restrictions limited in-person painting projects, the strengths of the program have demonstrated its value even as schools have fully reopened.

#### ***Fresh Coat***

A semi-professional painting crew of Next Steps students. The program offers students job training to enhance their work-readiness and deepen their knowledge of commercial painting. During the years ended June 30, 2022 and 2021, they transformed 17 and 15 community sites, and had the opportunity to work next to one of the approximately 1,100 volunteers annually who informally mentor them by describing their jobs and the education needed to do them.

## **Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

### **1. Organization and Tax Status (continued)**

#### ***Publicolor College Scholarships for Community Service***

A scholarship program to help fill the monetary gap between students' financial aid packages and the real cost of college or career training and certification.

#### ***Tax Status***

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509(a) and is not subject to income taxes.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Net Asset Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets are classified as with or without donor restrictions.

Net assets without donor restrictions include funds having no restrictions as to time or purpose imposed by the donors and are currently available at the discretion of the Organization for use in its programs and general operations. In addition, the Board of Directors designates certain net assets as a contingency fund.

Net assets with donor restrictions are those that will be met either by actions of the Organization or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, cash held in checking, savings and money market accounts and cash maintained in money market funds.

## Publicolor, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

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

#### ***Measure of Operations***

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes other non-operating income.

#### ***Concentration of Credit Risk and Other***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of receivables, which are expected to be collected in the normal course of business, cash and investments. The Organization maintains its cash in bank deposits in one financial institution and its investments with one investment broker. At times, these accounts exceeded the federally and securities protection insurance limits during fiscal 2022 and 2021, and subjected the Organization to a concentration of credit risk. At year-end, the Organization's cash deposits in the financial institution exceeded the federally insured limit by approximately \$2,097,000 in 2022 and \$1,547,000 in 2021. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on uninsured cash and investments.

Approximately 18% and 23% of the Organization's total public support and revenue of \$4,367,448 and \$4,145,642 was received from two sources during the years ended June 30, 2022 and 2021. The amount due from these sources was approximately \$341,000 and \$572,000 as of June 30, 2022 and 2021.

#### ***Fair Value Measurements***

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments as of June 30, 2022 consist of a mutual fund which invests in stocks in the S&P 500 Index, and was carried at fair value. Investments as of June 30, 2021 consist of an intermediate government fund and an inflation protected bond fund and were both carried at fair value. These investments were valued using level 1 inputs.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

## Publicolor, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

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

#### ***Pledges Receivable***

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value and are reflected in current assets on the statements of financial position.

Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows and are reflected as long-term receivables on the statements of financial position. Conditional pledges are not included as support until such time as the conditions are substantially met.

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collectible. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Allowance for doubtful accounts as of June 30, 2022 and 2021 was \$40,922 and \$45,500, respectively.

#### ***Paint Inventory***

Inventory from in-kind donations is recorded at fair value when received. Inventories are stated at the lower of cost or net realizable value on a specific identification basis.

#### ***Property and Equipment, Depreciation and Amortization***

Property and equipment is stated at cost. The Organization capitalizes all purchases of property and equipment in excess of \$1,000. Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are three to eight years for equipment, accounting software and autos.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the estimated useful life of the improvements, whichever is shorter.

#### ***Board-Directed Reserve Fund***

The Board of Directors has resolved to segregate certain net assets without donor restrictions as a contingency fund to enable the Organization to withstand the impact of economic downturns as well as to provide adequate funding for unexpected major expenditures. The usage of such funds is dependent upon approval by the finance committee and/or the Board of Directors.

## Publicolor, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

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

#### ***Contributions***

All contributions are recorded as support upon receipt of cash or unconditional pledges and are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases this net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### ***Contract and Service Revenue***

Contract revenue is recognized as revenue upon the commencement of a space transformation as specified within contracts with the New York City Department of Education, community-based nonprofit and for profit organizations. These contracts are typically completed within a ten week period and within the same fiscal year in which they were commenced.

Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* requires a disclosure of contract assets at the beginning of the earliest period presented in the financial statements. As such, contract revenue receivables as of July 1, 2020 totaled \$70,100.

#### ***Scholarships***

Scholarships to students are recognized as expenses when awarded by the Organization's Management for the purpose of helping qualified students fill the monetary gap between the financial aid they receive and the real cost of college. Direct scholarship expense in the amount of \$102,136 and \$147,414 for the years ended June 30, 2022 and 2021 was included in scholarships, college tours and workshops in the statements of functional expenses.

#### ***Functional Expenses***

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting services are allocated directly according to their natural expenditure classification; these expenses include student stipends, scholarships, college tours, and workshops, and paint and project supplies. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records and estimates made by the Organization's management; these include salaries, payroll taxes and employee benefits, professional fees and occupancy.

## Publicolor, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

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

#### ***Uncertain Tax Positions***

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had taken no uncertain tax positions that require financial statement recognition or disclosure.

The Organization is no longer subject to examinations by the applicable tax jurisdictions for periods prior to fiscal 2019.

#### ***Reclassifications***

Certain items in the 2021 financial statements were reclassified to conform to the 2022 financial statements.

#### ***Subsequent Events Evaluation by Management***

The Organization evaluated events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through January 20, 2023, the date these financial statements were available for issuance.

### 3. Receivables

Receivables consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Contract revenue	\$ 111,000	\$ 80,730
Pledges	671,970	874,698
Event income	110,100	132,520
Accounts and other	<u>463</u>	<u>4,531</u>
	893,533	1,092,479
Less: allowance for doubtful accounts	<u>40,922</u>	<u>45,500</u>
	<u>\$ 852,611</u>	<u>\$ 1,046,979</u>

### 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 519,696	\$ 519,696
Equipment	99,034	262,109
Autos	<u>50,374</u>	<u>35,075</u>
	669,104	816,880
Less: accumulated depreciation and amortization	<u>433,954</u>	<u>569,589</u>
	<u>\$ 235,150</u>	<u>\$ 247,291</u>

During the year ended June 30, 2022, approximately \$206,000 of fully depreciated equipment was written off.

## **Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

### **5. Grants and Loans Payable to Government**

#### ***Paycheck Protection Program Loans***

In April 2020, the Organization received a \$335,300 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration ("SBA"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. This loan has an interest of 1.00% per annum. If certain defined conditions are met, the above loan may be forgiven.

In fiscal 2021, the defined conditions were met, and as a result, the SBA notified the Organization that this PPP Loan was forgiven, and the Organization recognized the full amount of the proceeds from this PPP Loan as PPP loan forgiveness in the 2021 statement of activities.

In February 2021, the Organization received a second PPP Loan from the SBA in the amount of \$371,700. This loan also has an interest rate of 1% per annum, and no payments were due until December 2021, and was scheduled to mature in February 2026. If certain defined conditions are met, this loan may also be forgiven by the SBA, otherwise the Organization will be required to repay this loan in full.

In November 2021, the defined conditions were met, and as a result, the SBA notified the Organization that the second PPP loan was forgiven, and the Organization recognized the full amount of the proceeds from the second PPP Loan as PPP loan forgiveness in the 2022 statement of activities.

#### ***Employee Retention Credit***

The CARES Act provided for a fully refundable tax credit, the Employee Retention Credit ("ERC"), for employers equal to 50 percent of qualified wages (including qualified health plan expenses) that employers pay their employees. Employers are eligible for the ERC if their activities have been fully or partially suspended during any calendar quarter in 2020 as a result of governmental orders due to COVID-19 or experienced a significant decline in gross receipts during any calendar quarter during 2020.

In June 2022, the Organization filed for approximately \$518,000 in ERC benefits pertaining to qualified wages paid. As of September 2022, the Organization received approximately \$518,000 related to these qualifying wages. The Organization has elected to not record a receivable and corresponding credit as the likelihood of receiving the remaining amount was not certain considering the government backlog and delays in processing. The Organization will record the benefit of the ERC credits in the Organization's financial statements during the year they are received.

## Publicolor, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 6. Donated Goods and Services

Contributed materials and equipment are reported as contributions in the accompanying financial statements at their estimated fair values based on usual and customary rates of the vendor at date of receipt. Contributed services are reported in the accompanying financial statements at the fair value based on usual and customary rates of the vendor of services received. The contribution of services is recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

The Organization uses donated goods and services received in support of its programs, including paint, supplies, storage and transportation for students. Gifts of artwork, fashion, jewelry and vacations are monetized through silent and live auctions at the Organization's annual gala and other special events. Donated food and beverage items may be used at events or provided directly to students based on the nature of the donation. In-kind legal services relate to donated services performed by professionals in the course of carrying out non-operating activities of the Organization. All donated goods and services are valued based on usual and customary rates of the vendor or actual costs incurred by the donor and are without donor restrictions. The value of donated goods and services recorded in operating public support and revenue in the accompanying financial statements was approximately \$75,000 and \$119,000 for the years ended June 30, 2022 and 2021. The value of donated legal services recorded in non-operating activities in the accompanying financial statements was approximately \$218,000 for the year ended June 30, 2022.

In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fund-raising campaigns, and management. The compensation equivalent of approximately \$364,000 and \$105,000 for the years ended June 30, 2022 and 2021 for such services has been determined by management to be reasonable for obtaining such services, but is not reflected in the accompanying financial statements, as they do not meet the criteria outlined above.

#### 7. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 consist of the following:

	2022	2021
Subject to expenditure for time and specified purpose		
Scholarship Program	\$ 494,125	\$ 379,970
Mental Health Program	34,000	-
Witty Career Scholarship Fund	25,211	-
Other	7,559	173
Time restriction	375,515	122,000
	<u>936,410</u>	<u>502,143</u>
Endowment		
Witty Career Scholarship Fund	25,000	-
	<u>\$ 961,410</u>	<u>\$ 502,143</u>



## Publicolor, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 7. Net Assets With Donor Restrictions (*continued*)

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors, or by the passage of time. The following net assets were released from donor restrictions during the years ended June 30:

	2022	2021
Paint Club	\$ 635,106	\$ 501,740
COLOR Club/Next Steps	279,063	47,500
Summer Design Studio Program	137,435	32,500
Scholarship Program	127,332	184,267
Mental Health Program	16,000	-
Witty Career Scholarship Fund	270	-
Other	47,653	77,780
	<u>\$ 1,242,859</u>	<u>\$ 843,787</u>

#### **Endowments**

##### *General*

In October, 2021, the Organization received approximately \$50,000 of assets from the Sidney H. Witty Award of Excellence Endowment Fund from the Federation Employment and Guidance Service, Inc., (aka "FECS"), which previously administered these donor-restricted funds. In keeping with the original donor's intent, the Organization will maintain these assets as an endowment with the purpose of awarding scholarships to students who are pursuing a career certification program at a community college or other institution. Prospectively, the Organization will refer to these funds as the Witty Career Scholarship Funds. The Organization anticipates awarding approximately three scholarships annually of up to \$2,000 per student.

##### *Interpretation of Relevant Law*

The General Assembly and the Board of Directors of the Organization have adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Organization is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7 percent of the average of its previous five years' balance. As a result of this interpretation, the Organization classifies as restricted net assets - endowment (a) the original value of gifts donated to the endowment subject to perpetuity, (b) the original value of subsequent gifts to the endowment subject to perpetuity, and (c) accumulations to the endowment subject to perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted net assets - endowments is classified as restricted net assets purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

**Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

**7. Net Assets With Donor Restrictions (continued)**

***Endowments (continued)***

*Return Objectives, Strategies Employed and Spending Policy*

The primary objective of the endowment fund is income consistent with current yield and liquidity in a money market fund. A secondary objective is long-term capital appreciation through investment in an equity fund. A total return strategy is emphasized through a balanced investment approach.

**8. Commitments and Contingencies**

***Operating Lease***

In June 2015, the Organization entered into a ten year operating lease agreement to conduct its office operations. The lease commenced in November 2015 and includes a contribution of approximately \$103,000 in the form of leasehold improvements from the landlord as incentive for the Organization to sign the lease. The contribution is reflected in deferred rent payable in the statements of financial position and is amortized on a straight-line basis over the term of the lease.

In September 2020, the Organization entered into a Rent Abatement Agreement (the "Agreement") with the landlord as a result of the financial hardship caused by the Coronavirus pandemic ("COVID-19"). The Agreement was retroactive to April 2020 and provides for abatement of rent from April 2020 through March 2021, equivalent to six months at the current escalated rent, extending the current lease agreement through May 31, 2026.

Deferred rent payable of \$162,894 and \$187,326 at June 30, 2022 and 2021 is the difference between the cumulative amounts recorded for occupancy expense and the aforementioned credit for leasehold improvements on a straight-line basis over the term of the lease, as compared to the cumulative required amounts paid under the leases as of June 30, 2022 and 2021. Occupancy expense was approximately \$282,000 and \$283,000 for the years ended June 30, 2022 and 2021.

Future annual minimum lease commitments under this lease are approximately as follows for years ending June 30:

2023	\$ 314,300
2024	322,200
2025	330,200
2026	310,000
	<u>\$1,276,700</u>

**Publicolor, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

**8. Commitments and Contingencies (continued)**

**COVID-19**

The Coronavirus ("COVID-19") and other global events may have an adverse effect on the results of operations. Given the uncertainty around other global events and the extent and timing of the potential future spread or mitigation of COVID-19, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

**9. Liquidity and Availability of Financial Assets**

The Organization's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,991,590	\$ 2,149,737
Investments	14,568	276,699
Receivables - due within one year, net	<u>852,611</u>	<u>1,046,979</u>
Total Financial Assets	<u>3,858,769</u>	<u>3,473,415</u>
Less:		
Board-directed (reserve fund)	(977,170)	(976,354)
Donor restricted for time and purpose	<u>(961,410)</u>	<u>(502,143)</u>
	<u>(1,938,580)</u>	<u>(1,478,497)</u>
Add next years release of donor restrictions	<u>873,910</u>	<u>502,143</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,794,099</u>	<u>\$ 2,497,061</u>

The Organization monitors its cash needs regularly and receives contributions and fundraising support throughout the year in addition to contract and service revenue earned from services provided to schools. The Board of Directors can also decide to draw upon the reserve fund if additional funds are needed.

\* \* \* \* \*