

Publicolor, Inc.

Financial Statements

June 30, 2021 and 2020

Independent Auditors' Report

Board of Directors **Publicolor, Inc.**

We have audited the accompanying financial statements of Publicolor, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Publicolor, Inc. as of June 30, 2021 and 2020, 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.

PKF O'Connor Davies, LLP

December 2, 2021

Publicolor, Inc.

Statements of Financial Position

	June 30	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 2,149,737	\$ 1,809,731
Investments	276,699	267,547
Receivables, net	1,046,979	578,284
Paint inventory	12,510	17,031
Prepaid expenses and other	<u>134,361</u>	<u>121,143</u>
Total Current Assets	3,620,286	2,793,736
Security deposits	103,377	100,920
Property and equipment, net	<u>247,291</u>	<u>308,546</u>
Total Assets	<u>\$ 3,970,954</u>	<u>\$ 3,203,202</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 123,861	\$ 235,120
Deferred rent payable	<u>24,432</u>	<u>34,472</u>
Total Current Liabilities	148,293	269,592
Paycheck Protection Program loan	371,700	335,300
Deferred rent payable	<u>162,894</u>	<u>44,525</u>
Total Liabilities	<u>682,887</u>	<u>649,417</u>
Net Assets		
Without Donor Restrictions		
Current	1,809,570	1,194,342
Board-directed (reserve fund)	<u>976,354</u>	<u>976,354</u>
Total Without Donor Restrictions	2,785,924	2,170,696
With donor restrictions	<u>502,143</u>	<u>383,089</u>
Total Net Assets	<u>3,288,067</u>	<u>2,553,785</u>
Total Liabilities and Net Assets	<u>\$ 3,970,954</u>	<u>\$ 3,203,202</u>

See notes to financial statements

Publicolor, Inc.

Statements of Activities

	Year Ended					
	June 30, 2021			June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions, including donated goods and services of \$76,359 and \$201,757	\$ 1,498,598	\$ 962,841	\$ 2,461,439	\$ 1,135,264	\$ 1,213,456	\$ 2,348,720
Fundraising campaign, net of direct costs of \$-0- and \$13,140	1,262,900	-	1,262,900	794,648	-	794,648
Paycheck Protection Program loan forgiveness	335,300	-	335,300	-	-	-
Contract and service revenue	76,156	-	76,156	125,000	-	125,000
Investment return	9,847	-	9,847	21,742	-	21,742
Net assets released from restrictions	843,787	(843,787)	-	2,077,076	(2,077,076)	-
Total Public Support and Revenue	<u>4,026,588</u>	<u>119,054</u>	<u>4,145,642</u>	<u>4,153,730</u>	<u>(863,620)</u>	<u>3,290,110</u>
EXPENSES						
Program services	2,413,449	-	2,413,449	2,814,670	-	2,814,670
Management and general	479,742	-	479,742	320,252	-	320,252
Fundraising	518,169	-	518,169	557,774	-	557,774
Total Expenses	<u>3,411,360</u>	<u>-</u>	<u>3,411,360</u>	<u>3,692,696</u>	<u>-</u>	<u>3,692,696</u>
Change in Net Assets	615,228	119,054	734,282	461,034	(863,620)	(402,586)
NET ASSETS						
Beginning of year	<u>2,170,696</u>	<u>383,089</u>	<u>2,553,785</u>	<u>1,709,662</u>	<u>1,246,709</u>	<u>2,956,371</u>
End 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>

See notes to financial statements

Publicolor, Inc.

Statements of Functional Expenses

	Year Ended							
	June 30, 2021				June 30, 2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,220,900	\$ 254,726	\$ 319,658	\$ 1,795,284	\$ 1,382,291	\$ 178,317	\$ 358,619	\$ 1,919,227
Payroll taxes and employee benefits	\$250,436	\$52,251	\$65,570	368,257	256,620	31,527	65,074	353,221
Student stipends	156,739	-	-	156,739	232,166	-	-	232,166
Professional fees	6,500	29,119	48,665	84,284	33,520	23,565	49,680	106,765
Scholarships, college tours and workshops	147,414	-	-	147,414	186,211	-	-	186,211
Food and onsite project costs	26,601	-	-	26,601	68,059	-	-	68,059
Project travel and auto	79,800	-	-	79,800	102,179	-	-	102,179
Paint and project supplies	\$79,367	-	-	79,367	105,389	-	-	105,389
Paint and other project supplies - in-kind	71,526	-	2,743	74,269	201,757	-	-	201,757
Events	-	-	20,332	20,332	-	-	58,007	58,007
Occupancy	260,615	24,820	24,820	310,255	103,084	9,817	9,817	122,718
Depreciation and amortization	57,430	5,470	5,470	68,370	59,068	5,625	5,626	70,319
Office	25,133	11,562	4,638	41,333	46,639	4,442	4,442	55,523
Insurance	29,870	2,845	2,845	35,560	24,513	2,178	2,178	28,869
Subscription, payroll services, recruitment and miscellaneous	\$1,118	\$21,549	4,668	27,335	4,710	4,666	984	10,360
Development and cultivation	-	-	\$18,760	18,760	8,464	-	16,487	24,951
Provision for bad debts	-	\$77,400	-	77,400	-	60,115	-	60,115
	<u>2,413,449</u>	<u>479,742</u>	<u>518,169</u>	<u>3,411,360</u>	<u>2,814,670</u>	<u>320,252</u>	<u>570,914</u>	<u>3,705,836</u>
Less expenses of direct benefit to donors	-	-	-	-	-	-	(13,140)	(13,140)
	<u>\$ 2,413,449</u>	<u>\$ 479,742</u>	<u>\$ 518,169</u>	<u>\$ 3,411,360</u>	<u>\$ 2,814,670</u>	<u>\$ 320,252</u>	<u>\$ 557,774</u>	<u>\$ 3,692,696</u>

See notes to financial statements

Publicolor, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 734,282	\$ (402,586)
Adjustments to reconcile change in net assets to net cash from operating activities		
Paycheck Protection Program loan forgiveness	(335,300)	-
Donated securities	-	(10,153)
Net realized and unrealized gain on investments	-	(16,046)
Depreciation and amortization	68,370	70,319
Provision for bad debts	77,400	60,115
Change in deferred rent payable	108,329	(168,755)
Changes in Assets and Liabilities		
Receivables	(546,095)	332,887
Paint inventory	4,521	570
Prepaid expenses and other	(13,218)	(25,005)
Security deposits	(2,457)	(2,398)
Accounts payable and accrued expenses	(111,259)	181,523
Net Cash From Operating Activities	(15,427)	20,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	8,859
Purchase of investments	(9,152)	-
Purchase of property and equipment	(7,115)	(7,830)
Net Cash From Investing Activities	(16,267)	1,029
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	371,700	335,300
Net Increase in Cash	340,006	356,800
CASH		
Beginning of year	1,809,731	1,452,931
End of year	\$ 2,149,737	\$ 1,809,731

See notes to financial statements

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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 2021, as a result of the Coronavirus pandemic, many of Publicolor's programs were conducted online, with very limited opportunities for in-person painting.

Paint Club

The Organization's introductory program engages at-risk 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 7th, 8th, 9th and 10th 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, 2021 and 2020

1. Organization and Tax Status (*continued*)

Next Steps

A two-year, three-day-a-week college and career preparation program for 11th and 12th graders for approximately 180 high school juniors and seniors, college students, 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, four-day 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. In FY 2021 and 2020, they transformed 15 and 16 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, 2021 and 2020

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.

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

Cash includes cash on hand, and cash held in checking, savings and money market accounts.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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

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 2021 and 2020, 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 \$1,547,000 in 2021 and \$1,236,000 in 2020. 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 23% and 22% of the Organization's total public support and revenue of \$4,145,642 and \$3,290,110 was received from two donors during the years ended June 30, 2021 and 2020. The amount due from these donors was approximately \$572,000 and \$163,000 as of June 30, 2021 and June 30, 2020.

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, 2021 and 2020 consist of an intermediate government fund and an inflation protected bond fund, and are 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.

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.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

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.

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 weighted-average 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 five 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.

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.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Contract and Service Revenue

Contract revenue is recognized as revenue upon completion of a space transformation based on contracts with the New York City Department of Education and community-based nonprofit organizations.

Scholarships

Scholarships to students are recognized as expenses when awarded by the Organization's Board of Directors 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 \$147,414 and \$173,888 for the years ended June 30, 2021 and 2020 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.

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 2018.

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 December 2, 2021, the date these financial statements were available for issuance.

Publicolor, Inc.

Notes to Financial Statements June 30, 2021 and 2020

3. Receivables

Receivables consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Contract revenue	\$ 80,730	\$ 70,100
Pledges	874,698	405,600
Event income	132,520	147,685
Accounts and other	<u>4,531</u>	<u>8,558</u>
	1,092,479	631,943
Less: allowance for doubtful accounts	<u>45,500</u>	<u>53,659</u>
	<u>\$ 1,046,979</u>	<u>\$ 578,284</u>

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 519,696	\$ 519,696
Equipment	262,109	255,568
Autos	<u>35,075</u>	<u>35,075</u>
	816,880	810,339
Less: accumulated depreciation and amortization	<u>569,589</u>	<u>501,793</u>
	<u>\$ 247,291</u>	<u>\$ 308,546</u>

5. 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.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

5. Paycheck Protection Program Loans (continued)

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, with no payments due until December 2021, and is 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 this PPP loan was forgiven.

6. Donated Goods and Services

Contributed materials and equipment are reported as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Contributed services are reported in the accompanying financial statements at the fair value of the 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 value of donated goods and services recorded in the accompanying financial statements was approximately \$76,000 and \$202,000 for the years ended June 30, 2021 and 2020.

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 \$105,000 and \$125,000 for the years ended June 30, 2021 and 2020 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:

	<u>2021</u>	<u>2020</u>
Scholarship Program	\$ 379,970	\$ 324,276
Other	173	7,803
Time restriction	<u>122,000</u>	<u>51,010</u>
	<u>\$ 502,143</u>	<u>\$ 383,089</u>

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>
Paint Club	\$ 501,740	\$ 565,601
COLOR Club/Next Steps	47,500	258,840
Summer Design Studio Program	32,500	352,874
Scholarship Program	184,267	238,419
Time restriction	-	610,782
Other	<u>77,780</u>	<u>50,560</u>
	<u>\$ 843,787</u>	<u>\$ 2,077,076</u>

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. As a result of the Agreement, deferred rent payable and occupancy expense decreased by approximately \$174,000 during fiscal 2020.

Deferred rent payable of \$187,326 and \$78,997 at June 30, 2021 and 2020 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, 2021 and 2020. Occupancy expense was approximately \$310,000 and \$123,000 for the years ended June 30, 2021 and 2020.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

8. Commitments and Contingencies (continued)

Operating Lease (continued)

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

2022	\$ 307,300
2023	314,300
2024	322,200
2025	330,200
2026	310,000
	<u>\$ 1,584,000</u>

Coronavirus

COVID-19 has had and may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, 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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 2,149,737	\$ 1,809,731
Investments	276,699	267,547
Receivables - due within one year	<u>1,046,979</u>	<u>578,284</u>
Total Financial Assets	<u>3,473,415</u>	<u>2,655,562</u>
Less:		
Board-directed (reserve fund)	(976,354)	(976,354)
Donor restricted for time and purpose	<u>(502,143)</u>	<u>(383,089)</u>
	<u>(1,478,497)</u>	<u>(1,359,443)</u>
Add next years release of donor restrictions	<u>502,143</u>	<u>383,089</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,497,061</u>	<u>\$ 1,679,208</u>

Publicolor, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

9. Liquidity and Availability of Financial Assets (continued)

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.

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