

Publicolor, Inc.

Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023 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, 2024 and 2023, 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 judgment, 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

March 12, 2025

Publicolor, Inc.

Statements of Financial Position

	June 30	
	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,765,842	\$ 2,843,871
Investments	212,436	138,166
Receivables, net	1,029,219	1,226,071
Paint inventory	30,368	26,395
Prepaid expenses, inventory and other	<u>100,299</u>	<u>170,152</u>
Total Current Assets	4,138,164	4,404,655
Receivables, long-term	26,000	373,845
Security deposits	110,299	108,477
Property and equipment, net	117,994	182,027
Right of use asset	<u>527,668</u>	<u>789,266</u>
 Total Assets	 <u>\$ 4,920,125</u>	 <u>\$ 5,858,270</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 98,098	\$ 79,432
Short term lease liability	<u>316,687</u>	<u>299,394</u>
Total Current Liabilities	414,785	378,826
Long term lease liability	<u>306,142</u>	<u>622,830</u>
Total Liabilities	<u>720,927</u>	<u>1,001,656</u>
 Net Assets		
Without Donor Restrictions		
Current	1,612,577	2,107,417
Board-directed (reserve fund)	<u>1,359,225</u>	<u>1,250,000</u>
Total Without Donor Restrictions	2,971,802	3,357,417
With donor restrictions	<u>1,227,396</u>	<u>1,499,197</u>
Total Net Assets	<u>4,199,198</u>	<u>4,856,614</u>
 Total Liabilities and Net Assets	 <u>\$ 4,920,125</u>	 <u>\$ 5,858,270</u>

See notes to financial statements

Publicolor, Inc.

Statements of Activities

	Year Ended					
	June 30, 2024			June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING						
Public Support and Revenue:						
Contributions	\$ 939,279	\$ 905,186	\$ 1,844,465	\$ 1,175,012	\$ 1,540,084	\$ 2,715,096
Fundraising campaign, net of direct costs of \$188,525 and \$195,814	983,185	133,310	1,116,495	927,701	158,405	1,086,106
Contract and service revenue	295,900	-	295,900	223,479	-	223,479
Donated goods and services	124,087	-	124,087	129,726	-	129,726
Investment return	148,575	5,780	154,355	94,958	2,184	97,142
Net assets released from restrictions	1,316,077	(1,316,077)	-	1,162,886	(1,162,886)	-
Total Public Support and Revenue	<u>3,807,103</u>	<u>(271,801)</u>	<u>3,535,302</u>	<u>3,713,762</u>	<u>537,787</u>	<u>4,251,549</u>
Expenses						
Program services	3,076,198	-	3,076,198	2,916,491	-	2,916,491
Management and general	461,240	-	461,240	472,952	-	472,952
Fundraising	655,280	-	655,280	633,261	-	633,261
Total Expenses	<u>4,192,718</u>	<u>-</u>	<u>4,192,718</u>	<u>4,022,704</u>	<u>-</u>	<u>4,022,704</u>
Change in Net Assets from Operations	(385,615)	(271,801)	(657,416)	(308,942)	537,787	228,845
NON-OPERATING ACTIVITY						
Employee Retention Credit	-	-	-	517,863	-	517,863
Change in Net Assets	(385,615)	(271,801)	(657,416)	208,921	537,787	746,708
NET ASSETS						
Beginning of year	<u>3,357,417</u>	<u>1,499,197</u>	<u>4,856,614</u>	<u>3,148,496</u>	<u>961,410</u>	<u>4,109,906</u>
End of year	<u>\$ 2,971,802</u>	<u>\$ 1,227,396</u>	<u>\$ 4,199,198</u>	<u>\$ 3,357,417</u>	<u>\$ 1,499,197</u>	<u>\$ 4,856,614</u>

See notes to financial statements

Publicolor, Inc.

Statements of Functional Expenses

	Year Ended				Year Ended			
	June 30, 2024				June 30, 2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,539,300	\$ 228,766	\$ 446,533	\$ 2,214,599	\$ 1,454,814	\$ 229,942	\$ 428,089	\$ 2,112,845
Payroll taxes and employee benefits	294,226	43,727	85,351	423,304	272,188	43,021	80,093	395,302
Student stipends	236,412	-	4,047	240,459	203,348	-	2,120	205,468
Professional fees	80,848	41,719	2,430	124,997	81,478	35,502	2,488	119,468
Scholarships, college tours and workshops	94,359	-	-	94,359	103,169	-	-	103,169
Food and onsite project costs	134,662	2,853	1,604	139,119	121,873	2,052	2,373	126,298
Project travel and auto	80,789	349	1,842	82,980	83,311	323	772	84,406
Paint and project supplies	135,616	33	13,017	148,666	165,434	-	13,433	178,867
Paint and other project supplies - in-kind	13,734	-	46	13,780	28,748	245	254	29,247
Legal services - in-kind	78,316	7,459	7,459	93,234	-	76,292	-	76,292
Events	7	-	206,317	206,324	70	-	219,131	219,201
Occupancy	264,546	25,195	25,195	314,936	269,847	22,097	20,562	312,506
Depreciation and amortization	58,133	4,943	4,937	68,013	56,698	4,801	4,801	66,300
Office	35,235	3,542	3,223	42,000	41,188	3,421	4,397	49,006
Insurance	26,654	2,568	2,538	31,760	26,991	2,571	2,571	32,133
Subscription, payroll services, recruitment and miscellaneous	3,125	39,160	9,369	51,654	7,066	9,768	16,702	33,536
Development and cultivation	236	100	29,897	30,233	268	100	31,289	31,657
Loss on disposal of inventory and equipment	-	48,826	-	48,826	-	18,817	-	18,817
Provision for bad debts	-	12,000	-	12,000	-	24,000	-	24,000
	<u>3,076,198</u>	<u>461,240</u>	<u>843,805</u>	<u>4,381,243</u>	<u>2,916,491</u>	<u>472,952</u>	<u>829,075</u>	<u>4,218,518</u>
Less expenses of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(188,525)</u>	<u>(188,525)</u>	<u>-</u>	<u>-</u>	<u>(195,814)</u>	<u>(195,814)</u>
	<u>\$ 3,076,198</u>	<u>\$ 461,240</u>	<u>\$ 655,280</u>	<u>\$ 4,192,718</u>	<u>\$ 2,916,491</u>	<u>\$ 472,952</u>	<u>\$ 633,261</u>	<u>\$ 4,022,704</u>

See notes to financial statements

Publicolor, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (657,416)	\$ 746,708
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(38,136)	(13,763)
Depreciation and amortization	68,013	66,300
Loss on disposal of inventory and equipment	48,826	18,817
Provision for bad debts	12,000	24,000
Amortization of right of use asset	284,394	284,394
Changes in Assets and Liabilities		
Receivables	532,697	(771,305)
Paint inventory	(3,973)	(10,528)
Prepaid expenses, inventory and other	21,027	(41,510)
Security deposits	(1,822)	(2,581)
Accounts payable and accrued expenses	18,666	(10,909)
Payments on lease liability	(322,191)	(314,330)
Net Cash From Operating Activities	<u>(37,915)</u>	<u>(24,707)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	227,713	241,966
Purchase of investments	(263,847)	(351,801)
Purchase of property and equipment	(3,980)	(13,177)
Net Cash From Investing Activities	<u>(40,114)</u>	<u>(123,012)</u>
Net Decrease in Cash and Cash Equivalents	(78,029)	(147,719)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,843,871</u>	<u>2,991,590</u>
End of year	<u>\$ 2,765,842</u>	<u>\$ 2,843,871</u>

See notes to financial statements

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

1. Organization and Tax Status

Organization

The mission of Publicolor, Inc. (the "Organization") is an innovative educational youth development nonprofit organization that empowers students facing immense life challenges for academic and career success through a multi-year project-based continuum of programs. The Organization's vision is to provide low-income students with educational equity and economic equality by creatively addressing undereducation and combating learning loss.

The Organization offers a continuum of creative youth development programs - Paint Club, COLOR Club, Next Steps, Summer Design Studio, Design Studio, Fresh Coat, and Publicolor's Scholarships for Community Service. These programs unlock students' creative problem-solving skills, critical thinking abilities, talents, and ambitions. The Organization supports academic success, job readiness, community service, and career fulfillment through this continuum of project-based, design-focused initiatives.

Paint Club

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

COLOR Club (Community of Leaders Organizing Revitalization)

A multi-year, three-day-a-week apprenticeship program for Paint Club graduates at the 6th, 7th, and 8th-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 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 creativity, which empowers them to be shapers of their world.

Next Steps

This is a multi-year, three-day-a-week college and career preparation program for 9th, 10th, 11th, and 12th graders. 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 for students transitioning to college or post-secondary options 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.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

1. Organization and Tax Status (*continued*)

Summer Design Studio (SDS)

Taking place on the campus of Pratt Institute and the Publicolor office in July and August, SDS is Publicolor's innovative antidote to summer learning loss. The summer months are critical for low-income, academically struggling students whose families cannot afford to pay for summer enrichment activities. The program engages COLOR Club and Next Steps students, grades 6-12, in morning design workshops embedded with math and literacy skills. The curriculum introduces students to college-level design concepts, the essential skills of design software, and the design thinking process. Afternoons alternate between one-on-one online academic support sessions and on-site revitalizations of under-resourced community facilities, offering crucial employment and work experience. Rising juniors take SAT prep classes 3 afternoons a week with one day a week dedicated to cultural enrichment trips.

Design Studio

Launched initially as a remote learning initiative during school closures, Design Studio has transformed into an innovative and interactive program integrating project-based learning into the classroom. The program encourages students to develop graphic design skills to communicate complex ideas, which can be adapted to work with academic curricula in various subject areas. Students also learn to use online design software tools. Students utilize advanced design software and the design thinking process to research and create public service announcements that address critical issues such as democracy and climate change.

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, 2024, and 2023, they transformed 23 and 17 community sites and had the opportunity to work next to one of the approximately 1,000 volunteers annually who informally mentor them by describing their jobs and the education needed to do them.

Publicolor College Scholarships for Community Service

These annual awards serve as crucial gap funding, ensuring that students can overcome financial hurdles that might impede their education. By covering essential expenses like textbooks, MetroCards, technology, and minor tuition balances, these scholarships help pave the way for their success in pursuing a post-secondary degree.

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.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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.

Adoption of New Accounting Policy

Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. This new standard removes the previous requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current conditions and reasonable and supportive forecasts to estimate their future expected credit losses. The Organization adopted ASU 2016-13 effective July 1, 2023. The adoption did not have an impact on the Organization's financial statements.

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.

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 and expense.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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

Concentration of Credit Risk and Other

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of receivables which are expected to be collected in the normal course of business, cash and cash equivalents on deposit with financial institutions and investments held at financial institutions. Deposits held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Investment holdings at financial institutions are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 (\$250,000 for cash holdings) as a result of brokerage firm failures. At times balances may exceed the FDIC and/or the SIPC limit.

Approximately 22% of the Organization's total public support and revenue of \$4,251,549 was received from two sources during the year ended June 30, 2023. The amount due from these sources was approximately \$888,000 as of June 30, 2023.

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, 2024 and 2023 consists of approximately \$212,000 and \$119,000 in a mutual fund which invests in equities in the S&P 500 Index, and approximately \$0- and \$19,000 of treasury bills. All investments are carried at fair value and 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.

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.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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

Pledges Receivable (continued)

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, 2024 and 2023 was \$70,951 and \$59,351.

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.

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, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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 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, 2022 totaled \$111,000.

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 \$86,714 and \$96,806 for the years ended June 30, 2024 and 2023 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.

Leases

The Organization has a lease for office space and determines if an arrangement is a lease at inception. The operating lease is included in operating lease right-of-use asset ("ROU asset") and lease liability on the accompanying statements of financial position.

ROU asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. Operating lease ROU asset and liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. When a lease does not provide an implicit borrowing rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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

Leases (continued)

The lease terms may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis of the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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 2021.

Subsequent Events Evaluation by Management

The Organization evaluated events occurring after the date of the financial statements to consider whether the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through March 12, 2025, the date these financial statements were available for issuance.

3. Receivables

Receivables consists of the following at June 30:

	2024	2023
Contract and service revenue	\$ 87,000	\$ 66,167
Pledges	883,070	1,352,800
Event income	156,100	240,300
	1,126,170	1,659,267
Less: allowance for doubtful accounts	70,951	59,351
	<u>\$ 1,055,219</u>	<u>\$ 1,599,916</u>

Prior to July 1, 2023, contract and service revenue receivables were recorded at the amount invoiced less an allowance for doubtful accounts. Subsequent to July 1, 2023, contract and service revenue receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. Recoveries of contract and service revenue receivables previously written off are recorded when received. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing contract and service revenue receivables, based on an evaluation of the collectability of contract and service revenue receivables and prior bad debt experience.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

3. Receivables (*continued*)

This evaluation also takes into consideration factors such as: changes in the nature and volume of the contract and service revenue receivables, overall contract and service revenue receivables quality, review of specific contract and service revenue receivable balances, and current economic conditions that may affect the other party's ability to pay. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Organization did not require a credit loss allowance as of June 30, 2024.

4. Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Leasehold improvements	\$ 519,696	\$ 519,696
Equipment	116,191	112,211
Autos	50,374	50,374
	686,261	682,281
Less: accumulated depreciation and amortization	568,267	500,254
	<u>\$ 117,994</u>	<u>\$ 182,027</u>

5. Grants and Loans Payable to Government

Employee Retention Credit

The CARES Act provides 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 \$497,000 in ERC benefits pertaining to qualified wages paid. The Organization elected not to record a receivable and corresponding credit as the likelihood of receiving the remaining amount was uncertain at the time of filing due to government backlog and delays in processing. The Organization recorded the benefit of the ERC credits in its financial statements in the year the proceeds from the filing were received. In September 2022, the Organization received approximately \$518,000, including approximately \$21,000 of interest related to these qualifying wages and reflected the total proceeds within non-operating activity in the 2023 statement of activities.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

6. Donated Goods and Services

Contributions of services are 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 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 legal professionals. 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 recorded in operating public support and revenue in the accompanying financial statements was approximately \$31,000 and \$53,000 for the years ended June 30, 2024 and 2023. The value of donated legal services recorded in the accompanying financial statements was approximately \$93,000 and \$77,000 and were for management and general purposes for the years ended June 30, 2024 and 2023.

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 \$201,000 and \$179,000 for the years ended June 30, 2024 and 2023 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.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

7. Net Assets with Donor Restrictions

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

	2024	2023
Subject to expenditure for time and specified purpose		
Scholarship Program	\$ 598,650	\$ 563,020
Mental Health Program	22,540	14,840
Witty Career Scholarship Fund	25,815	25,226
Time restriction	543,945	865,190
Other	11,446	5,921
	<u>1,202,396</u>	<u>1,474,197</u>
Endowment		
Witty Career Scholarship Fund	25,000	25,000
	<u>\$ 1,227,396</u>	<u>\$ 1,499,197</u>

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:

	2024	2023
Paint Club	\$ 364,800	\$ 405,000
COLOR Club/Next Steps	108,600	139,755
Summer Design Studio Program	201,193	307,451
Scholarship Program	97,830	120,847
Mental Health Program	42,300	44,160
Witty Career Scholarship Fund	5,190	2,169
Time restriction	332,500	92,500
Other	163,664	51,004
	<u>\$ 1,316,077</u>	<u>\$ 1,162,886</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 "FEGS"), which previously administered these donor-restricted funds. In keeping with the original donor's intent, the Organization will maintain these assets as an endowment of \$25,000, with the balance to be used for 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.

Publicolor, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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

Endowments (continued)

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.

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 included a contribution of approximately \$103,000 in the form of leasehold improvements from the landlord as incentive for the Organization to sign 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.

Publicolor, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

8. Commitments and Contingencies (continued)

Operating Lease (continued)

The components of occupancy expense on the accompanying statements of functional expenses for the years ended June 30, 2024 and 2023 are shown below:

	<u>2024</u>	<u>2023</u>
Lease Expense		
Operating lease cost	\$ 284,394	\$ 284,394
Variable lease cost	<u>30,542</u>	<u>28,112</u>
	<u>\$ 314,936</u>	<u>\$ 312,506</u>

The right-of-use asset and corresponding liability associated with future lease payments on the above noted lease as of June 30, 2024 and 2023 are shown below:

	<u>2024</u>	<u>2023</u>
Right-of-use asset	\$ 527,668	\$ 789,266
Lease liability	622,829	922,224
Weighted Average:		
Discount rate	3%	3%
Remaining lease term in years	1.92	2.92

ROU asset is net of \$545,992 and \$284,394 accumulated amortization at June 30, 2024 and 2023.

Future minimum rental payments under the lease arrangement are as follows:

	<u>Years Ending June 30:</u>
2025	\$ 330,200
2026	<u>310,000</u>
Total Future Minimum Lease Payments	640,200
Less Imputed Interest	<u>(17,371)</u>
Total Operating Lease Liability	<u>\$ 622,829</u>

Supplemental cash flow information related to operating leases was as follows for the year ended June 30, 2024:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 299,394	\$ 282,804
ROU assets recognized upon adoption of new lease guidance	-	1,042,134

Publicolor, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,765,842	\$ 2,843,871
Investments	212,436	138,166
Receivables - due within one year, net	<u>1,029,219</u>	<u>1,226,071</u>
Total Financial Assets	<u>4,007,497</u>	<u>4,208,108</u>
Less:		
Board-directed (reserve fund)	(1,359,225)	(1,250,000)
Donor restricted for time and purpose	<u>(1,227,396)</u>	<u>(1,499,197)</u>
	<u>(2,586,621)</u>	<u>(2,749,197)</u>
Add next year's release of donor restrictions	<u>1,201,396</u>	<u>1,125,352</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,622,272</u>	<u>\$ 2,584,263</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.

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