

POSITIVE EXPOSURE PRODUCTIONS, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021  
(Unaudited)

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*Independent Accountant's Review Report*

To Management and the Board of Trustees of  
Positive Exposure Productions, Inc.  
New York, NY

We have reviewed the accompanying financial statements of Positive Exposure Productions, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

***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.

***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Positive Exposure Productions, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

***Basis for Qualified Conclusion***

As disclosed in Note 2 to the financial statements, accounting principles generally accepted in the United States of America require that fixed assets be depreciated over their estimated useful lives. The Organization has computed depreciation on its fixed assets in accordance with the Modified Accelerated Cost Recovery System required for federal income tax purposes, which does not allocate depreciation expense over the estimated useful lives of the assets. Management has determined the effect of this departure from accounting principles generally accepted in the United States of America on the accompanying financial statements is immaterial.

***Qualified Conclusion***

Based on our review, except for the effect of the matters described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter with Respect to Change of Accounting Methods***

As discussed in Note 2 to the financial statements, Positive Exposure Productions, Inc. changed its method of accounting for leases effective January 1, 2022 due to the adoption of Accounting Standards Update No 2016-02, *Leases (Topic 842)*, as amended. Our conclusion is not modified with respect to this matter

***Summarized Comparative Information***

We previously reviewed Positive Exposure Productions, Inc.'s December 31, 2021 financial statements and in our report dated September 5, 2022, stated that based on our procedures, except for the issues noted in the Basis for Qualified Conclusion paragraphs, we were not aware of any material modifications that should be made to the December 31, 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. Except for the issues noted in the Basis for Qualified Conclusion paragraphs, we are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2021 for it to be consistent with the reviewed financial statements from which it has been derived.

September 11, 2023



Kweit, Mantell & DeLucia, LLP  
Certified Public Accountants  
Melville, New York

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**  
**(Unaudited)**

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| <b>Assets</b>                           |                   |                   |
| Cash                                    | \$ 456,273        | \$ 420,281        |
| Accounts receivable                     | 17,134            | -                 |
| Inventory                               | 21,629            | 22,280            |
| Security deposit                        | 17,484            | 33,040            |
| Investment - deferred compensation      | 100,765           | 78,895            |
| Right-of-use asset - operating lease    | 59,089            | -                 |
| Furniture and equipment                 |                   |                   |
| Equipment                               | 67,209            | 55,636            |
| Furniture                               | 15,454            | 15,454            |
| Leasehold Improvements                  | 75,595            | 70,525            |
| Website                                 | 24,878            | 12,659            |
| Total furniture and equipment           | 183,136           | 83,749            |
| Less: accumulated depreciation          | (139,490)         | (112,188)         |
| Furniture and equipment, net            | 43,646            | 42,086            |
| <b>Total assets</b>                     | <b>\$ 716,020</b> | <b>\$ 596,582</b> |
| <b>Liabilities and Net Assets</b>       |                   |                   |
| Accounts payable                        | \$ 2,500          | \$ 10,392         |
| Credit cards payable                    | 14,664            | 4,626             |
| Accrued interest                        | 8,372             | 4,398             |
| Lease liability - operating lease       | 62,481            | -                 |
| Related party payable                   | -                 | 20,000            |
| SBA loan payable                        | 200,000           | 100,000           |
| Deferred compensation                   | 100,765           | 78,895            |
| <b>Total liabilities</b>                | <b>388,782</b>    | <b>218,311</b>    |
| Net assets without donor restrictions   | (22,762)          | 135,539           |
| Net assets with donor restrictions      | 350,000           | 242,732           |
| <b>Total net assets</b>                 | <b>327,238</b>    | <b>378,271</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 716,020</b> | <b>\$ 596,582</b> |

See independent accountants' review report and notes to financial statements.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**Statements of Activities**  
**Year Ended December 31, 2022**  
with summarized comparative information for the year ended December 31, 2021  
(Unaudited)

|   | <b>2022</b>                           |                                    |                 | <b>2021</b>    |
|---|---------------------------------------|------------------------------------|-----------------|----------------|
|   | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>    | <b>Total</b>   |
| <b>Support and Revenue</b>                  |                                       |                                    |                 |                |
| Foundation, non-profit and corporate grants | \$ 104,500                            | \$ 350,000                         | \$ 454,500      | \$ 402,500     |
| Contributions                               | 269,580                               | -                                  | 269,580         | 226,036        |
| Program service fees                        | 113,788                               | -                                  | 113,788         | 46,453         |
| Other                                       | 7,413                                 | -                                  | 7,413           | 3,608          |
| Net assets released from restrictions       | 242,732                               | (242,732)                          | -               | -              |
| Total support and revenue                   | 738,013                               | 107,268                            | 845,281         | 678,597        |
| <b>Expenses</b>                             |                                       |                                    |                 |                |
| Program services                            |                                       |                                    |                 |                |
| Salaries and wages                          | 200,899                               | -                                  | 200,899         | 178,314        |
| Occupancy                                   | 73,796                                | -                                  | 73,796          | 46,234         |
| Project fees                                | 176,786                               | -                                  | 176,786         | 86,620         |
| Travel                                      | 46,967                                | -                                  | 46,967          | 15,939         |
| Payroll taxes                               | 33,327                                | -                                  | 33,327          | 16,365         |
| Employee benefits                           | 32,363                                | -                                  | 32,363          | 27,238         |
| Pension                                     | 21,870                                | -                                  | 21,870          | 15,663         |
| Insurance                                   | 11,649                                | -                                  | 11,649          | 9,552          |
| Photography                                 | 9,385                                 | -                                  | 9,385           | 505            |
| Meals and entertainment                     | 8,910                                 | -                                  | 8,910           | 703            |
| Advertising and promotional                 | 2,487                                 | -                                  | 2,487           | 1,870          |
| Website                                     | 1,339                                 | -                                  | 1,339           | 2,112          |
| Positive Exposure book                      | 651                                   | -                                  | 651             | 172            |
| Total program services                      | 620,429                               | -                                  | 620,429         | 401,287        |
| Supporting services                         |                                       |                                    |                 |                |
| Management and general                      |                                       |                                    |                 |                |
| Salaries and wages                          | 85,629                                | -                                  | 85,629          | 31,294         |
| Occupancy                                   | 20,993                                | -                                  | 20,993          | 11,559         |
| Office                                      | 22,468                                | -                                  | 22,468          | 23,756         |
| Other                                       | 17,099                                | -                                  | 17,099          | 12,123         |
| Professional fees                           | 15,040                                | -                                  | 15,040          | 13,936         |
| Payroll taxes                               | 12,357                                | -                                  | 12,357          | 2,872          |
| Depreciation                                | 25,944                                | -                                  | 25,944          | 22,283         |
| Amortization                                | 1,358                                 | -                                  | 1,358           | 811            |
| Total management and general                | 200,888                               | -                                  | 200,888         | 118,634        |
| Fundraising                                 | 74,997                                | -                                  | 74,997          | 29,145         |
| Total supporting services                   | 275,885                               | -                                  | 275,885         | 147,779        |
| Total expenses                              | 896,314                               | -                                  | 896,314         | 549,066        |
| <b>(Decrease) Increase in net assets</b>    | <b>(158,301)</b>                      | <b>107,268</b>                     | <b>(51,033)</b> | <b>129,531</b> |
| Net assets, beginning of year               | 135,539                               | 242,732                            | 378,271         | 248,740        |
| Net assets, end of year                     | \$ (22,762)                           | \$ 350,000                         | \$ 327,238      | \$ 378,271     |

See independent accountants' review report and notes to financial statements.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**  
**(Unaudited)**

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating expenses</b>   |                   |                   |
| (Decrease) increase in net assets   | \$ (51,033)       | \$ 129,531        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                   |                   |
| Depreciation and amortization   | 27,302            | 23,094            |
| Amortization of right-of-use asset  | 80,248            | -                 |
| (Increase) decrease in accounts receivable  | (17,134)          | 7,685             |
| Decrease in inventory   | 651               | 1,441             |
| Decrease (increase) in security deposit   | 15,556            | (18,000)          |
| (Increase) in investment - deferred compensation  | (21,870)          | (15,663)          |
| (Decrease) increase in accounts payable   | (7,892)           | 6,584             |
| Increase in accrued interest  | 3,974             | 2,828             |
| Increase (decrease) in credit cards payable   | 10,038            | (1,212)           |
| (Decrease) in lease liability obligation  | (76,856)          | -                 |
| Increase in deferred compensation liability   | 21,870            | 15,663            |
| <b>Net cash (used in) provided by operating activities</b>                                    | <b>(15,146)</b>   | <b>151,951</b>    |
| <br><b>Cash flows from investment activities</b>  |                   |                   |
| Purchase of equipment   | (11,573)          | (6,690)           |
| Purchase of leasehold improvements  | (5,070)           | (1,800)           |
| Investment in website   | (12,219)          | -                 |
| <b>Net cash (used in) investment activities</b>   | <b>(28,862)</b>   | <b>(8,490)</b>    |
| <br><b>Cash flows from financing activities</b>   |                   |                   |
| Repayment of related party loan   | (20,000)          | -                 |
| Proceeds from SBA note payable  | 100,000           | -                 |
| <b>Net cash provided by financing activities</b>  | <b>80,000</b>     | <b>-</b>          |
| <br><b>Net increase in cash</b>   | <b>35,992</b>     | <b>143,461</b>    |
| <br><b>Cash, beginning of year</b>  | <b>420,281</b>    | <b>276,820</b>    |
| <br><b>Cash, end of year</b>  | <b>\$ 456,273</b> | <b>\$ 420,281</b> |
| <br><b>Supplemental disclosure</b>  |                   |                   |
| Cash paid for interest  | <b>\$ 1,360</b>   | <b>\$ 1,128</b>   |

See independent accountants' review report and notes to financial statements.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 1 – Nature of organization**

Positive Exposure Productions, Inc. (the “Organization”) is a New York not-for-profit corporation. The Organization utilizes photography, film and narrative to transform public perceptions of people living with genetic, physical, intellectual and behavioral differences.

**Note 2 – Summary of significant accounting policies**

**Basis of accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**Basis of presentation**

The financial statements are presented in accordance with FASB Accounting Standards Codification (FASB ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

**Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no effect on the change in net assets as of December 31, 2021.

**Net asset classes**

Based on the existence or absence of donor-imposed restrictions, resources are classified into two categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Organization. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. At December 31, 2022 and 2021, \$350,000 and \$242,732 of revenue was subject to donor restrictions, respectively. All donor-imposed restrictions were temporary in nature as of December 31, 2022 and 2021.

**Cash equivalents**

For the purposes of classification on the Statements of Financial Position and the Statements of Cash Flows, the Organization considers all highly liquid investments with original maturities of three months or less when acquired to be cash equivalents.



**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Accounts Receivable and Allowance for Doubtful Accounts

The Organization records an amount as a receivable when it is pledged. As of December 31, 2022 and December 31, 2021, all pledges are expected to be received in less than one year. The Organization assesses collectability of its receivables based on management’s experience, the aging of receivables, subsequent receipts and current economic conditions. As of December 31, 2022 and 2021, management deems its accounts receivable to be collectible and therefore has not provided an allowance for possible uncollectible amounts.

Inventory

Inventory is reported at cost and is recognized as cost of goods sold using the weighted average cost method of accounting.

Furniture and Equipment

Furniture, equipment, and leasehold improvements are recorded at cost. It is the Organization’s policy to capitalize expenditures for those items greater than a nominal amount and with a useful life of more than one year. The useful life of furniture and equipment is 7 and 5 years, respectively. The useful life of leasehold improvements is 4 years, which is the term of the Organization’s lease. The Organization has computed depreciation on its fixed assets in accordance with the Modified Accelerated Cost Recovery System (“MACRS”) required for federal income tax purposes. The use of MACRS represents a departure from U.S. GAAP. The use of MACRS has accelerated the depreciation of assets placed in service in earlier years. This departure from U.S. GAAP is considered immaterial.

Revenue Recognition

Income from contributions is recognized when a pledge is made. Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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. It is the Organization’s policy to record all revenue with donor restrictions as without restrictions if all restrictions are satisfied in the year the funds are received.

Shipping and Handling Costs

The Organization includes the cost of inbound and outbound freight for purchases and sales of the Positive Exposure book under the heading “Positive Exposure book” on the Statements of Activities within program services expenses.

The Organization does not charge for the shipping costs of books within the continental United States. These charges for orders outside the continental United States are included in sales.

Advertising

The Organization’s policy is to expense advertising and promotional costs as they are incurred. As of December 31, 2022 and 2021 advertising and promotional costs totaled \$2,487 and \$1,870, respectively.

Fundraising

The Organization reports fundraising costs in the “Fundraising” line of the accompanying Statements of Activities. As of December 31, 2022 and 2021 fundraising costs totaled \$74,997 and \$29,145, respectively.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

Nonprofit organizations are required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria to be recorded and have not been included in the financial statements.

Interest

The Organization's total interest costs were \$5,334 and \$3,957 for the years ended December 31, 2022 and 2021, respectively. Interest expenses are included in "Other" under the supporting services section of the Statements of Activities.

Leases

Effective January 1, 2022, the Organization adopted ASU 2016-02, utilizing the modified retrospective adoption approach. The Organization enters into contracts in the normal course of business and assesses whether any such contracts contain a lease. The Organization determines if an arrangement is a lease at inception if it conveys the right to control the identified asset for a period of time in exchange for consideration. The Organization classifies leases as operating or financing in nature and records the associated right-of-use asset and lease liability on its Statements of Financial Position. The lease liability represents the present value of future lease payments, net of lease incentives, discounted using a risk free rate when the rate implicit in the contract is not readily determinable. Lease expense is recognized as a single lease cost on a straight-line basis over the lease term. The lease term consists of non-cancelable periods and may include options, including those to extend or terminate, if it is reasonably certain they will be exercised. The Organization accounts for lease and non-lease components related to operating leases as a single lease component. The Organization has elected that costs associated with leases having an initial term of 12 months or less ("short-term leases") are recognized in the Statements of Activities on a straight-line basis over the lease term and are not recorded on the Statements of Financial Position. Variable lease expense is recognized as incurred and consists primarily of utilities and other office space related expenses.

Income Taxes

The Organization is incorporated as a not-for-profit corporation under the laws of the State of New York and is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code and qualifies for the maximum charitable deduction for donors. Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business taxable income for the years ended December 31, 2022 and 2021.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statements of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018 for public business entities, and for fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, for all other entities.

The Organization adopted this standard on January 1, 2022. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (a) a lease liability of \$139,337, which represents the present value of the remaining lease payments of \$141,016, discounted using the risk free rate determined by utilizing the daily Treasury Par Yield Curve Rate for the period commensurate with the remaining term of the lease, and (b) a right-of-use asset of \$139,337 which represents the lease liability of \$139,337. The adoption did not have a material effect on the Statements of Activities. The Company utilized the modified retrospective adoption approach, whereby all prior periods continue to be reported under previous lease accounting guidance. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The Organization has also elected the practical expedient permitted in ASC Topic 842 which allows for an entity to use hindsight in determining the lease term and in assessing impairment of the entity's right-of-use assets. See Note 6, "Leases" for further discussion on the Organization's accounting for leases under ASC 842.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization has adopted this standard retrospectively for the year ended December 31, 2022 and the adoption resulted in no material impact on the Statements of Activities.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 11, 2023, which is the date the financial statements were issued.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 3 – Investments**

The following table sets forth the investments at December 31, 2022 and 2021:

|                           | <u>2022</u>       | <u>2021</u>      |
|---------------------------|-------------------|------------------|
| Cash and cash equivalents | \$ <u>100,765</u> | \$ <u>78,895</u> |
|                           | <u>\$ 100,765</u> | <u>\$ 78,895</u> |

The following schedule summarizes the Organization's investment return for each fiscal year:

|                         | <u>2022</u>  | <u>2021</u>   |
|-------------------------|--------------|---------------|
| Interest income         | \$ 882       | \$ 687        |
| Investment fees         | <u>12</u>    | <u>24</u>     |
| Total investment return | <u>\$870</u> | <u>\$ 663</u> |

**Note 4 – Long term debt**

The Company borrowed \$100,000 from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program on June 7, 2020 and an additional \$100,000 on April 18, 2022. Principal payments are amortized over a 30 year period at an interest rate of 2.75% per annum. Repayments are due in consecutive monthly installments of principal and interest with a deferral that was granted until December 7, 2022. The loan may be prepaid in part or in full, at any time, without penalty.

Maturities of long-term debt are as follows:

|            |                   |
|------------|-------------------|
| 2023       | \$ 0              |
| 2024       | 2,077             |
| 2025       | 5,255             |
| 2026       | 5,402             |
| 2027       | 5,552             |
| Thereafter | <u>181,714</u>    |
| Total      | <u>\$ 200,000</u> |

**Note 5 – Net assets**

Net assets with donor restrictions as of December 31, 2022 and 2021, are restricted for the following purposes:

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| Net assets restricted to purpose         | \$ <u>350,000</u> | \$ <u>242,732</u> |
| Total net assets with donor restrictions | <u>\$ 350,000</u> | <u>\$ 242,732</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose totaling \$242,732 and \$105,000 for the years ended December 31, 2022 and 2021, respectively.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**with comparative amounts for the year ended December 31, 2021**

**Note 6 – Leases**

Effective February 1, 2019, the Organization entered into an office lease agreement. The agreement expires on July 31, 2023 and requires a monthly payment of \$8,000 for the first year of the lease, with a 3% escalation in rent each year on the anniversary date. Effective July 1, 2020, the Organization entered into an agreement to modify the office lease agreement. The modification decreased the rent by approximately 30% for the months of July 2020 through October 2021.

Rent expense, which is part of occupancy in the financial statements, totaled \$83,982 and \$47,355 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the total remaining operating lease payments included in the measurement of lease liabilities was as follows:

| Year ending December 31,       |                  |
|--------------------------------|------------------|
| 2023                           | \$ 62,768        |
| 2024                           | 0                |
| 2025                           | 0                |
| 2026                           | 0                |
| 2027                           | 0                |
| Thereafter                     | <u>0</u>         |
| Total operating lease payments | 62,768           |
| Less: imputed interest         | <u>287</u>       |
| Total lease liabilities        | <u>\$ 62,481</u> |

As of December 31, 2022, the Organization had \$59,089 of operating lease right-of-use assets, \$62,481 and \$0 of current and non-current operating lease liabilities, respectively, and no finance leases on its Statements of Financial Position. The operating lease arrangement included in the measurement of lease liabilities had a seven month remaining lease term, utilized the risk-free rate as the implicit rate was not readily determinable and does not reflect options to terminate, as management does not consider the exercise of these options to be reasonably certain. No unexercised options to extend the terms were present in the agreements.

**Note 7 – Retirement plans**

During 2015, upon Board approval, the Organization established a non-qualified deferred compensation plan under section 457(f) of the Internal Revenue Code for a key employee. All employer contributions are discretionary. Contributions of \$21,000 and \$15,000 were made to this plan for the years ended December 31, 2022 and 2021, respectively. Pension expense for this plan totaled \$21,870 and \$15,663 for the years ended December 31, 2022 and 2021, respectively.

During 2022, the Organization established a 401(k) plan allowing elective contributions for employees who have completed one hour of service, and discretionary nonelective contributions for employees who have completed one year of service. A participant may make voluntary contributions through salary reductions subject to certain limitations. The participants' interest in all contributions is fully vested and non-forfeitable. Company contributions are subject to a vesting schedule and become non-forfeitable after six years of service or the attainment of normal retirement age.

**Note 8 – Income taxes**

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Generally, federal and state authorities may examine the organization's tax returns for three years from the date of filing and the Organization's tax returns for 2019 and forward remain subject to examination as of December 31, 2022.

**POSITIVE EXPOSURE PRODUCTIONS, INC.**  
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**Note 9 - Concentrations**

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. The Organization places its cash with what it believes to be quality financial institutions. At times, the balances in these accounts exceed federally insured limits.

The Organization's management monitors the collectability of its receivables on an ongoing basis. Consequently, management believes that concentrations of credit risk are limited.

In the current year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization's market is always growing, which management believes mitigates this risk.

**Note 10 – Related parties**

During March 2017, Positive Exposure Belgium vzw was registered as a Belgian national non-profit organization. The organization was formed to promote the message of Positive Exposure Productions, Inc. throughout Europe, and to identify support for the European initiatives inspired by Positive Exposure Productions, Inc. As of December 31, 2022, all contributions and expenses have been recorded in the financial statements of Positive Exposure Productions, Inc. as it is an affiliated entity. These contributions and expenses are not material to the financial statements. All amounts were received and paid in US dollars. During 2022 Positive Exposure Belgium vzw was closed.

During the years ended December 31, 2022 and 2021, the Organization had a loan from a related party. This loan is non-interest bearing and has no repayment terms. The loan was repaid during 2022 and the loan balance totaled \$0 and \$20,000 as of December 31, 2022 and 2021, respectively.

**Note 11 – Availability of financial assets for general expenditures**

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. General expenditures include operating expenses incurred in carrying out the Organization's day-to-day activities.

|  |           |
|--|-----------|
| Financial Assets Available within One Year:                              |           |
| Cash and cash equivalents  | \$456,273 |
| Less those unavailable for general expenditures within one year, due to: |           |
| Donor restrictions as to purpose   | 350,000   |
|  | \$106,273 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. General expenditures include operating expenses incurred in carrying out the Organization's day-to-day activities.

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**Note 12 – Paycheck Protection Program**

On June 19, 2020, the Organization obtained a Paycheck Protection Program (“PPP”) loan in the amount of \$30,632 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The Organization obtained a second PPP loan in the amount of \$30,632 on February 16, 2021. Interest on the loans is at the rate of 1% per year, and all loan payments are deferred for six months, at which time the balances are payable in 18 monthly installments if not forgiven in accordance with the CARES Act and the terms of the promissory notes executed by the Organization in connection with the loans. The promissory notes contain events of default and other provisions customary for loans of this type. As required, the Company used the PPP loan proceeds for payroll, healthcare benefits, rent and other qualifying expenses. The program provides that the use of PPP Loan amounts shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act. The Organization applied for forgiveness of the loans during 2021 and both loans were fully forgiven in August 2021. The proceeds of the loans have offset salaries and wages in the accompanying Statements of Activities for the year ended December 31, 2021.