Partnership with Children, Inc.

Financial Statements

June 30, 2016

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Partnership with Children, Inc.

We have audited the accompanying financial statements of Partnership with Children, Inc. ("PwC"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 from 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 Partnership with Children, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Partnership with Children, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 30, 2016

Partnership with Children, Inc.

Statement of Financial Position
June 30, 2016
(with comparative amounts at June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 833,213	$ 492,179
Government grants and contracts receivable	3,060,258	2,664,543
Contributions and grants receivable	400,113	283,481
Prepaid expenses and other assets	177,751	112,696
Investments	3,661,819	4,687,243
Furniture, equipment and leasehold improvements, net	32,153	45,608
	$ 8,165,307	$ 8,285,750
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,353,505	$ 1,156,715
Deferred revenue	-	6,047
Deferred rent	94,425	65,352
Total Liabilities	1,447,930	1,228,114
Net Assets		
Unrestricted	6,485,377	6,825,136
Temporarily restricted	7,000	7,500
Permanently restricted	225,000	225,000
Total Net Assets	6,717,377	7,057,636
	$ 8,165,307	$ 8,285,750

See notes to financial statements

Partnership with Children, Inc.

Statement of Activities
Year Ended June 30, 2016
(with summarized totals for the year ended June 30, 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING SUPPORT AND REVENUE					
Governmental grants	$ 1,898,669	$ -	$ -	$ 1,898,669	$ 4,106,591
Other grants and contributions	418,138	1,107,000	-	1,525,138	1,382,367
Fundraising, net of direct expense of $299,647 and $362,778	1,137,899	-	-	1,137,899	945,482
Program service fees	7,052,479	-	-	7,052,479	3,898,495
Allocated investment return	56,299	-	-	56,299	87,743
Net assets released from restrictions	1,107,500	(1,107,500)	-	-	-
Total Operating Support and Revenue	11,670,984	(500)	-	11,670,484	10,420,678
OPERATING EXPENSES					
Program services	9,928,934	-	-	9,928,934	8,792,060
Management and general	1,426,763	-	-	1,426,763	959,042
Fundraising	528,308	-	-	528,308	534,479
Total Operating Expenses	11,884,005	-	-	11,884,005	10,285,581
(Deficiency) Excess of Operating Support and Revenue Over Operating Expenses	(213,021)	(500)	-	(213,521)	135,097
NON-OPERATING ITEMS					
Investment return after allocation to operations	(126,738)	-	-	(126,738)	(3,044)
Change in Net Assets	(339,759)	(500)	-	(340,259)	132,053
NET ASSETS					
Beginning of year	6,825,136	7,500	225,000	7,057,636	6,925,583
End of year	$ 6,485,377	$ 7,000	$ 225,000	$ 6,717,377	$ 7,057,636

See notes to financial statements

Partnership with Children, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016
(with summarized totals for the year ended June 30, 2015)

	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	$ 6,062,212	$ 844,691	$ 228,701	$ 7,135,604	$ 5,204,774
Payroll taxes and employee benefits	1,074,852	149,767	40,549	1,265,168	1,131,006
Professional fees	903,850	108,277	176,231	1,188,358	968,721
Subcontractors	944,294	-	-	944,294	1,901,592
Supplies	168,546	14,311	215	183,072	304,222
Telephone and communications	64,832	32,185	3,346	100,363	58,131
Printing and postage	31,429	11,065	8,352	50,846	24,149
Conferences and meetings	42,142	32,440	2,666	77,248	51,107
Transportation expenses	88,212	527	68	88,807	43,461
Software and equipment	73,952	18,534	333	92,819	170,802
Occupancy	172,825	106,908	32,895	312,628	271,481
Insurance	25,228	3,515	952	29,695	22,804
Dues and subscriptions	13,031	4,345	4,384	21,760	17,199
Student meals and events	246,927	1,002	-	247,929	76,032
Depreciation	11,431	1,593	431	13,455	12,131
Bank and credit card charges	-	2,749	27,801	30,550	16,736
Bad debt	-	76,746	-	76,746	345
Miscellaneous	5,171	18,108	1,384	24,663	10,888
Total Expenses	$ 9,928,934	$ 1,426,763	$ 528,308	$ 11,884,005	$ 10,285,581

See notes to financial statements

Partnership with Children, Inc.

Statement of Cash Flows
Year Ended June 30, 2016
(with comparative amounts for the year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (340,259)	$ 132,053
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized loss (gain) on investments	105,951	(17,740)
Depreciation	13,455	12,131
Donated stock	(145,287)	(89,921)
Bad debt expense	76,746	345
Deferred rent	29,073	65,352
Changes in Operating Assets and Liabilities		
Government grants and contracts receivable	(395,715)	(1,489,338)
Contributions and grants receivable	(193,378)	(85,925)
Prepaid expenses and other assets	(65,055)	(53,013)
Accounts payable and accrued expenses	196,790	633,752
Deferred revenue	(6,047)	(132,597)
Net Cash from Operating Activities	(723,726)	(1,024,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and leasehold improvements	-	(24,062)
Purchase of investments	(495,109)	(1,812,162)
Proceeds from sale of investments	755,946	2,769,644
Net change in money market funds	803,923	(523,451)
Net Cash from Investing Activities	1,064,760	409,969
Net Change in Cash and Cash Equivalents	341,034	(614,932)
CASH AND CASH EQUIVALENTS		
Beginning of year	492,179	1,107,111
End of year	$ 833,213	$ 492,179

See notes to financial statements

1. Organization

Partnership with Children, Inc. ("PwC") works in schools with high poverty rates in New York City, providing trauma-informed care and critical mental health services for the hardest-to-reach students and engaging families in the school community. In FY16, we had social workers placed full-time in 37 public schools in all five boroughs. Our programs increase student attendance and achievement, improve students' social-emotional health, and improve school climate and safety metrics.

Founded in 1908, PwC has worked for over a century to help vulnerable children overcome the chronic stress of growing up in poverty. Originally called Big Sisters, our organization was established to provide support and mentorship for girls referred by the family court system. In the early 1990s, we made the strategic decision to place full-time social workers into schools in the city's most underserved communities. Since then, we have been refining our model of expanded mental health services and systems-building for schools that have become chaotic, crisis-driven, and unable to address the unique set of mental and behavioral health challenges faced by children growing up in poverty. In every school, our Masters-level social workers collaborate with school leadership to customize a plan to address the needs of each community. We provide crisis intervention, trauma-informed counseling, and family and community outreach so that students can learn and thrive.

Our organization has grown substantially and we have built strong infrastructure to support that growth, investing in program evaluation, talent management, financial administration, and organizational culture. Over the past year, we have had the opportunity to partner with the New York City Department of Education to expand the community school and restorative justice models used in our program to many more of the city's highest-need schools. We are a leading provider under the DOE's Community School Initiative – working with 12 schools to bring trauma-informed counseling services along with comprehensive family and community engagement strategies to help improve student wellness and academic achievement.

PwC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 to disclose 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money-market accounts. PwC considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value Measurements

PwC 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 market 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 Valuation and Investment Income Recognition

Investments are stated at fair value. 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.

Governmental Grants and Contracts

Cost-reimbursement governmental grants and contracts are recognized as revenue at the same time as expenses are incurred based on the terms of the grants. Other governmental grants are recognized as unrestricted or temporarily restricted contributions based on the terms of the grant.

No allowance for non-collectability was required on government grants and contracts receivable as of June 30, 2016 and 2015.

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

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are carried at cost or appraised value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to ten years. PwC capitalizes all purchases of property and equipment greater than or equal to $2,500.

Deferred Revenue

Program service fees received in advance are recorded as deferred revenue until the related services are performed. These fees are recognized as revenue as services are performed.

Net Asset Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are not subject to donor-imposed stipulation and are currently available at the discretion of the Board of Directors for use in PwC's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or restricted by time. As the stipulations are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities as net assets released from restrictions. Permanently restricted amounts are donor restricted to provide a permanent endowment for operations.

Contributions

Contributions are recorded when an unconditional promise to give is received or when substantially all conditions are met. All contributions are considered to be available for unrestricted 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 temporarily restricted or permanently restricted support that increases those net asset classes.

Unconditional promises to give that are not expected to be collected within one year are recorded at net realizable value.

Contributed Services and Goods

PwC receives donated goods and services. PwC recognizes goods and services provided which have an ascertainable value and are an integral part of its program services. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized.

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

Prior Year Summarized Financial Information

The financial statements present prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with PwC's financial statements for the year ended June 30, 2015 from which the summarized financial information was derived.

Functional Expenses

PwC allocates its expenses on a functional basis between its program services, management and general, and fundraising expenses. Expenses which can be identified with a specific program or supporting activity are allocated directly to that activity. Other expenses that are common to several functions are allocated among the program services, management and general and fundraising expenses based on management estimates.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Net assets and the change in net assets are unchanged due to these reclassifications.

Accounting for Uncertainty in Income Taxes

PwC makes disclosures about the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that PwC had no uncertain tax positions that would require financial statement recognition or disclosure. PwC is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to fiscal 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosures and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 30, 2016.

3. Concentration of Credit Risk

Financial instruments that potentially subject PwC to concentrations of credit risk consist principally of cash and cash equivalents, investments and contributions, grants and accounts receivable. PwC maintains its cash with high credit quality financial institutions and its policy is designed to limit exposure to any one institution. At times cash balances held at financial institutions may be in excess of federally insured limits. PwC has not experienced any losses on its cash deposits. The investment portfolio is diversified by type of investment and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk. A concentration of credit risk exists with respect to contributions, grants and accounts receivable due to the small number of entities and/or individuals composing the donor base.

4. Contributions and Grants Receivable

Contributions and grants receivable consisted of pledges of $400,113 and $283,481 at June 30, 2016 and 2015. As of June 30, 2016 all are deemed collectible by management and due in less than one year.

5. Investments

The following are major categories of investments measured at fair value as of June 30:

	2016			2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Equities						
Financial services	$ 191,321	$ -	$ 191,321	$ 185,691	$ -	$ 185,691
Consumer growth	148,675	-	148,675	192,308	-	192,308
Consumer cyclicals	109,334	-	109,334	177,389	-	177,389
Technology	196,185	-	196,185	205,142	-	205,142
Other	344,160	-	344,160	299,034	-	299,034
Mutual Funds						
Equity funds	577,397	973,788	1,551,185	593,424	1,030,276	1,623,700
Fixed income funds	721,190	-	721,190	679,797	-	679,797
Other	109,809	-	109,809	80,044	-	80,044
Government bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	150,255	150,255
Total at Fair Value	$ 2,398,071	$ 973,788	3,371,859	$ 2,412,829	$ 1,180,531	3,593,360
Money market funds			289,960			1,093,883
Total			$ 3,661,819			$ 4,687,243

At June 30, 2016 and 2015 one diversified mutual fund represented 21% and 18% of PwC's total investment portfolio.

Net investment return consists of the following for the years ended June 30:

	2016	2015
Interest and dividend income	$ 56,299	$ 87,743
Realized gain on sale of investments	96,434	128,264
Unrealized loss on investments	(202,385)	(110,524)
Management fees	(20,787)	(20,784)
Total	$ (70,439)	$ 84,699

6. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following at June 30:

	2016	2015
Furniture, fixtures, and equipment	$ 71,139	$ 206,886
Leasehold improvements	22,612	22,612
	93,751	229,498
Accumulated depreciation	(61,598)	(183,891)
	$ 32,153	$ 45,607

During the year ended June 30, 2016, PwC removed from its records fully depreciated assets totaling $135,747.

7. Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets are available for the following programs or purposes:

	2016	2015
Equipment	$ 7,000	$ -
Renovation	-	7,500
Total	$ 7,000	$ 7,500

Net assets released from donor restrictions by satisfying the purpose or time restrictions for the years ended June 30 are as follows:

	2016	2015
Passage of time	$ -	$ 91,500
Open Heart-Open Mind/Social workers' program	980,000	1,128,185
Special Initiatives	20,000	-
Renovation	7,500	-
Restorative Practices	100,000	-
Total	$ 1,107,500	$ 1,219,685

8. Endowment and Net Assets Designated for Investments

PwC maintains donor-restricted funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets the Board of Directors looks to the explicit direction of the donor and provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Permanently restricted net assets at June 30, 2016 and 2015 represent gifts amounting to $225,000, which was restricted by the donor in perpetuity, the income of which is expendable to support PwC's general operations.

The following is a reconciliation of the investment activity in the donor restricted funds for the year ended June 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Balance at July 1, 2014	$ -	$ 225,000	$ 225,000
Investment return earned	2,458	-	2,458
Appropriated for expenditures	(2,458)	-	(2,458)
Balance at June 30, 2015	-	225,000	225,000
Investment return earned	1,802	-	1,802
Appropriated for expenditures	(1,802)	-	(1,802)
Balance at June 30, 2016	$ -	$ 225,000	$ 225,000

Interpretation of Relevant Law

The Board of Directors has interpreted NYPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PwC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations of investment returns to the permanent endowment 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 any donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA. At June 30, 2016, all earnings associated with permanently restricted net assets were appropriated.

8. Endowment and Net Assets Designated for Investments *(continued)*

Investment Strategy and Policy

The objective of the investment account is to appreciate (on a total return basis) at least as well as selected market indices over the appropriate investment horizon. Given the long term orientation of this portfolio, the manager should utilize an asset mix that reflects this goal. Accordingly, there is no specific requirement to hold fixed income securities since historically equities have produced superior returns to bonds over long time periods. The manager is permitted to hold fixed income securities or cash-equivalents as warranted by its investment strategy. The Board of Directors recognizes that market conditions can change rapidly and it prefers to allow the manager the discretion to select from a wide range of securities.

All investments must be readily marketable. Non-U.S. securities are permissible as long as they are sufficiently marketable. The Board of Directors does not permit the use of non-registered securities, private placements, hedge funds or commodities. The manager may utilize its own comingled funds for fixed income securities as well as non-U.S. investments. The use of options is permitted for investment strategies that are conservative/defensive in nature, such as covered calls. They are not allowed for speculative trading purposes. They should not be used to increase leverage. Exchange traded funds (ETFs) may be utilized if they meet these guidelines.

The investment manager is expected to hold a well-diversified portfolio of carefully researched securities. The manager must recognize that it and the Board of Directors are held to fiduciary standards in handling the funds with which they are entrusted. Accordingly, the manager must prudently consider risk as well as return in its portfolio composition.

The objective of PwC is to maintain the principal of the permanently restricted fund while investment income may be expended to support general operations. The principal of the permanently restricted fund is invested at the direction of the Board of Directors which considers the advice of the donor in its decision making. To achieve its objective PwC invests in low-risk investments. PwC currently maintains a spending rate equivalent to earnings on its permanently restricted funds.

9. Retirement Plan

PwC maintains a defined contribution 401(k) profit sharing retirement plan (the “Retirement Plan”). The Retirement Plan is for the benefit of all eligible employees of PwC who qualify under the Retirement Plan’s participation requirements. PwC contributions included in the statement of activities were $67,299 and $57,421 for 2016 and 2015.

10. Commitments

Leases

PwC entered into a ten-year lease agreement and three-year lease agreement for office space on August 1, 2014 and November 1, 2015, respectively. Subsequent to year end, the three year-lease agreement was cancelled. In addition, PwC leases office equipment. Under U.S. GAAP all rental payments, including fixed rent increases are to be recognized on a straight-line basis over the term of the lease. The difference between U.S. GAAP rent expense and the actual lease payments in the amount of $94,425 and $65,352 is presented as deferred rent at June 30, 2016 and 2015 in the accompanying statement of financial position.

Annual minimum future rental payments under non-cancelable operating leases as of June 30, 2016 are as follows:

Year Ending June 30,	Space	Office Equipment
2017	$ 252,246	$ 7,836
2018	238,450	7,836
2019	245,047	7,836
2020	266,438	7,836
2021	275,200	7,836
Thereafter	897,697	6,530
	$ 2,175,078	$ 45,710

Total rent expense amounted to $276,891 and $241,270 in 2016 and 2015.

11. Contingencies

PwC received funding for many of its programs through contracts principally entered into with New York State and New York City. Certain government revenues are recorded based on allocated expenditures incurred and are subject to audit and adjustment by New York City Department of Education, the Attorney General of the State of New York and other regulatory agencies.

Revenues from fee-for-service and reimbursement contracts with New York State and New York City are recorded at rates established by the governmental payors. Revenues are recorded based on estimated allowable costs and are subject to audit and adjustment by governmental payors. The effects of such adjustments are recorded when reasonably determinable.

The current third-party-payor programs are based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. PwC is not aware of any allegations of noncompliance that could have a material adverse effect on PwC’s change in net assets or financial position and believes that it is substantially in compliance with all applicable laws and regulations.

12. Line of Credit

PwC has a secured line of credit of $700,000. The line expires on January 1, 2017 and has an interest rate of 3% plus the LIBOR rate. There were no amounts drawn upon or outstanding under the line as of June 30, 2016.

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