Partnership with Children, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Partnership with Children, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Partnership with Children, Inc. and Subsidiary ("PWC and subsidiary"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Partnership with Children, Inc. and Subsidiary as of June 30, 2020, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 18-19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

December 9, 2020

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Financial Position
June 30, 2020

ASSETS	
Cash and cash equivalents	$ 3,594,784
Government grants and contracts receivable	2,942,705
Contributions and grants receivable	174,113
Prepaid expenses and other assets	144,821
Investments	5,404,975
Furniture, equipment and leasehold improvements, net	4,767
	$ 12,266,165
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 847,138
Deferred rent	132,050
Loans payable	1,487,953
Total Liabilities	2,467,141
Net Assets	
Without donor restrictions	8,884,813
With Donor Restrictions	
Time or purpose restricted	689,211
Investments held in perpetuity	225,000
Total Net Assets	9,799,024
	$ 12,266,165

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions: Time or Purpose Restricted	With Donor Restrictions: Investments Held In Perpetuity	Total
OPERATING SUPPORT AND REVENUE				
Governmental grants and other program service fees	$ 7,841,366	$ -	$ -	$ 7,841,366
Foundation, corporation, individuals and other	481,786	1,956,726	-	2,438,512
Fundraising events, net of direct benefits to donors of $107,568	(440)	-	-	(440)
Allocated investment return	138,355	2,971	-	141,326
Net assets released from restrictions	1,673,461	(1,673,461)	-	-
Total Operating Support and Revenue	10,134,528	286,236	-	10,420,764
OPERATING EXPENSES				
Program services	8,169,989	-	-	8,169,989
Management and general	1,354,308	-	-	1,354,308
Fundraising	763,285	-	-	763,285
Total Operating Expenses	10,287,582	-	-	10,287,582
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	(153,054)	286,236	-	133,182
NON-OPERATING ITEMS				
Investment return after allocation to operations	(5,036)	-	-	(5,036)
Change in Net Assets	(158,090)	286,236	-	128,146
NET ASSETS				
Beginning of year	8,105,749	402,975	225,000	8,733,724
Net assets acquired from CAE	937,154	-	-	937,154
End of year	$ 8,884,813	$ 689,211	$ 225,000	$ 9,799,024

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and wages	$ 5,034,601	$ 834,407	$ 461,423	$ -	$ 6,330,431
Payroll taxes and employee benefits	913,948	152,009	84,882	-	1,150,839
Professional fees	1,236,357	156,477	104,049	103,251	1,600,134
Supplies and subscriptions	166,281	11,861	2,850	3,000	183,992
Telephone and communications	55,721	29,092	6,736	-	91,549
Printing and postage	3,868	2,179	14,957	839	21,843
Travel expenses	26,089	278	552	434	27,353
Software and equipment	28,208	27,637	270	-	56,115
Occupancy	205,125	109,658	51,087	-	365,870
Student meals and activities	319,147	-	-	-	319,147
Student stipends and scholarships	29,392	-	-	-	29,392
Insurance	28,426	7,923	2,533	-	38,882
Staff development and recruitment	119,800	11,790	3,445	-	135,035
Depreciation	-	5,680	-	-	5,680
Bank and credit card charges	-	2,789	9,195	-	11,984
Miscellaneous	3,026	2,528	21,306	44	26,904
Total Functional Expenses	8,169,989	1,354,308	763,285	107,568	10,395,150
Less direct benefit to donors	-	-	-	(107,568)	(107,568)
Total Expenses	$ 8,169,989	$ 1,354,308	$ 763,285	$ -	$ 10,287,582

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Cash Flows
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	128,146
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) on investments		(10,506)
Depreciation		5,680
Donated stock		(108,182)
Deferred rent		(11,536)
Changes in Operating Assets and Liabilities, net of acquisition		
Government grants and contracts receivable		(33,316)
Contributions and grants receivable		625,832
Prepaid expenses and other assets		88,458
Accounts payable and accrued expenses		(267,465)
Deferred revenue		(200,000)
Net Cash from Operating Activities		217,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(457,543)
Proceeds from sale of investments		584,331
Cash acquired from CAE		129,502
Net change in money market funds		(50,877)
Net Cash from Investing Activities		205,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan		1,487,953
Net Change in Cash and Cash Equivalents		1,910,477
CASH AND CASH EQUIVALENTS		
Beginning of year		1,684,307
End of year	$	3,594,784

See notes to consolidated financial statements

1. Organization

Partnership with Children, Inc. ("PWC") places full-time social workers and community school directors in schools across New York City, providing mental health and wraparound services, creating trauma-informed schools, and engaging families in the school community.

Founded in 1908 as Big Sisters, the organization was established to provide support and mentorship for girls referred by the family court system. Since the early 1990s, PWC has embedded Masters-level social workers full-time into schools to provide expanded mental health services and systems-building for schools to address the unique set of challenges of children growing up in poverty. We are committed to a high level of clinical supervision for every social worker to provide crisis intervention, trauma-informed counseling, social-emotional learning (SEL) programs, training in restorative practices, and family and community outreach. School-based staff has expanded to include community school directors, family outreach workers, and afterschool and summer program managers.

In fiscal year 2020, PWC partnered with 28 schools in all five boroughs, including 5 charter schools and 18 community schools—making PWC a lead provider of comprehensive community engagement strategies and mental health services in the NYC Department of Education's community school initiative. Programs increase student attendance and achievement, improve students' social-emotional health, and improve school climate and safety metrics. When the COVID-19 pandemic closed schools, PWC pivoted quickly to remote platforms to ensure complete continuity in services, increased counseling services for families, and planned a unique summer program of SEL, culturally-responsive materials, and healing arts.

PWC also provides out-of-school-time programming, specifically with a trauma-informed lens, at 7 elementary, middle and high schools. Funded through New York State 21st Century Community Learning Center and NYC Department of Youth and Community Development contracts, these programs increase student engagement, school connectedness, social-emotional skills, and college readiness.

On December 12, 2019, PWC became the sole member of The Center for Arts Education, Inc. ("CAE"), a not-for-profit corporation organized for the purpose of ensuring that public school students have quality arts learning as an essential part of their K-12 education. In fiscal year 2020, CAE provided after-school and summer arts programming, school-day arts residencies, parent engagement programs, and professional development and capacity-building programs in more than 50 New York City public schools, and provided a robust career development program for high school students. CAE is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The consolidated financial statements include CAE's activity, changes in its net assets and cash flows from December 12, 2019 through June 30, 2020.

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

Principles of Consolidation

The accompanying consolidated financial statements include the financial position, changes in net assets and cash flows of PWC and CAE. All inter-company accounts and transactions have been eliminated in consolidation. PWC and CAE are collectively referred to as PWC and subsidiary.

Basis of Presentation and Use of Estimates

The accompanying consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Effective July 1, 2019, PWC and subsidiary adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. Adoption of the ASU had no impact on PWC and subsidiary's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The adoption of this ASU had no impact on PWC and subsidiary's consolidated financial statements.

Cash and Cash Equivalents

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

Fair Value Measurements

PWC and subsidiary 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.

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

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 net assets without donor restrictions or net assets with donor restrictions based on the terms of the grant.

No allowance for non-collectability was required on government grants and contracts receivable as of June 30, 2020.

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. CAE capitalizes all purchases of property and equipment greater than or equal to $1,000.

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 consolidated financial statements report amounts separately by class of net assets. Net assets without donor restrictions are not subject to donor-imposed stipulation and are currently available at the discretion of management and the Board of Directors for use in PWC and subsidiary's operations. Time or purpose restricted amounts are those which are stipulated by donors for specific purposes or restricted by time. As the stipulations are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statement of activities as net assets released from restrictions. Investments held in perpetuity are donor restricted to provide a permanent endowment for operations. These net assets are not expendable, but income earned is available for general or donor restricted purposes.

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

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 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 net assets with donor restrictions that increases that net asset class.

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

Contributed Services and Goods

PWC and subsidiary receives donated goods and services. PWC and subsidiary 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.

Measure of Operations

PWC and subsidiary has elected to include an operating measure in its statement of activities titled *excess (deficit) of operating support and revenue over operating expenses*. The measure of operations includes all revenues and expenses that are an integral part of PWC and subsidiary's programs and supporting activities with the exception of investment return not allocated to operations.

Functional Expenses

PWC and subsidiary allocates its expenses on a functional basis among 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. For example, program services include student meals, activities and incentives. Other expenses that are common to several functions are allocated among the program services, management and general and fundraising expenses are based on management estimates. These expenses include salaries and wages, payroll taxes and employee benefits, professional fees, supplies and subscriptions, occupancy, staff development and recruitment among others, which are allocated based on estimates of time and effort and building space occupied.

Accounting for Uncertainty in Income Taxes

PWC and subsidiary 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 and subsidiary had no uncertain tax positions that would require financial statement recognition or disclosure. PWC and subsidiary is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to fiscal June 30, 2017.

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosures and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is December 9, 2020.

3. Concentration of Credit Risk

Financial instruments that potentially subject PWC and subsidiary to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. PWC and subsidiary 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 and subsidiary 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 receivables 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 $174,113 at June 30, 2020, are deemed collectible by management and are due in less than one year.

5. Investments

The following are major categories of investments measured at fair value as of June 30, 2020:

	Level 1	Level 2	Total
Equities			
Technology	$ 6,181	$ -	$ 6,181
Mutual Funds			
Equity funds	3,038,150	-	3,038,150
Fixed income funds	987,267	-	987,267
Asset allocation	326,503	-	326,503
Fixed Income Securities			
Asset backed securities	-	24,348	24,348
Corporate bonds	-	375,800	375,800
Total at Fair Value	$ 4,358,101	$ 400,148	4,758,249
Money market funds, at cost			646,726
Total			$ 5,404,975

At June 30, 2020 one diversified mutual fund represented 29% of PWC's total investment portfolio.

5. Investments *(Continued)*

Investment return consists of the following for the year ended June 30, 2020:

Interest and dividend income	$ 141,326
Realized gain on sale of investments	3,898
Unrealized gain on investments	6,608
Management fees	(15,542)
Total	$ 136,290

6. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following at June 30, 2020:

Furniture, fixtures, and equipment	$ 52,429
Leasehold improvements	26,984
	79,413
Accumulated depreciation	(74,646)
	$ 4,767

7. Loans Payable

On May 1, 2020 and May 4, 2020, PWC received loan proceeds in the amount of $1,284,793 and CAE received loan proceeds in the amount of $203,160 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loans bear an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although PWC and subsidiary believes these loans will be substantially forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP loans are payable within two years from the date of the PPP loans with a deferral of payments of principal and interest until the amount of loan forgiveness is determined by the SBA. If PWC and subsidiary does not apply for forgiveness, payments begin approximately 16 months after the loan date. As of June 30, 2020 the PPP loans are recognized as a liability on the consolidated statement of financial position.

PWC and subsidiary will recognize the income from the forgiveness of the PPP loans when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 Debt.

7. Loans Payable *(continued)*

Principal payments on the PPP Loans are payable as follows (provided the PPP loans are not forgiven):

2021	$ -
2022	826,641
2023	661,312
	$ 1,487,953

8. Net Assets with Donor Restrictions

At June 30, 2020, time or purpose restrictions are available for the following programs or purposes:

Charter school initiative	$ 186,173
Community school support	61,815
COVID-19 relief	22,978
Time restrictions	418,245
Total	$ 689,211

Net assets released from donor restrictions by satisfying the purpose or time restrictions for the year ended June 30, 2020 are as follows:

Social work program	$ 1,035,202
Charter school initiative	360,000
Community school support	138,185
Development support	25,000
Freedom school support	3,100
Career development	39,981
Parents as arts partners	7,000
COVID-19 relief	62,022
Other	2,971
Total	$ 1,673,461

9. 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 investments held in perpetuity, time or purpose restricted or net assets without donor restrictions, 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”).

Investments held in perpetuity at June 30, 2020 represent gifts amounting to $225,000, which are restricted by the donor in perpetuity, the income of which is expendable to support PWC's general operations.

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

The following is a reconciliation of the investment activity in the donor restricted funds for the year ended June 30, 2020:

Balance at June 30, 2019	$ -	$ 225,000	$ 225,000
Investment return earned	2,971	-	2,971
Appropriated for expenditures	(2,971)	-	(2,971)
Balance at June 30, 2020	$ -	$ 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 net assets with donor restrictions (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 investments held in perpetuity is classified as time or purpose restricted 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, 2020, all earnings associated with investments held in perpetuity were appropriated.

Investment Strategy and Spending 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.

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

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 investments held in perpetuity while investment income may be expended to support general operations. The principal of the investments held in perpetuity 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 investments held in perpetuity.

10. 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 consolidated statement of activities were $127,493 for 2020.

CAE maintains a retirement plan in accordance with the provisions of Section 403(b) of the Internal Revenue Code. This plan was available to all eligible employees through February 1, 2020. CAE contributed 4% of each employee’s gross compensation and matches each employee’s tax deferred annuity contribution, subject to a maximum of 8% of gross compensation. CAE contributed $212 to the retirement plan for the period December 12, 2019 to June 30, 2020. Such amounts are included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses. As of February 1, 2020, all eligible CAE employees were able to participate in the PWC 401(k) profit sharing retirement plan.

11. Liquidity and Availability of Financial Assets

PWC and subsidiary’s financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position were as follows:

Financial assets:	
Cash and cash equivalents	$ 3,594,784
Government grants and contracts receivable	2,942,705
Contributions and grants receivable	174,113
Investments	5,404,975
Total financial assets	12,116,577
Less: Contractual restrictions	
Endowment funds:	
Restricted by donor with time or purpose restrictions	689,211
Investments held in perpetuity	225,000
	914,211
Financial assets available to meet general expenditures over the next twelve months	$ 11,202,366

11. Liquidity and Availability of Financial Assets *(continued)*

As part of PWC and subsidiary's liquidity management strategy, PWC and subsidiary structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. PWC and subsidiary's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of government grants and contributions from donors. A majority of general expenditures over the next twelve months are financed through cash and cash equivalents, receivables and investments. In the event of immediate liquidity need resulting from events outside the typical lifecycle of converting financial assets to cash or settling financial liabilities, PWC established a $950,000 line of credit to provide working capital for its operations.

12. Commitments

Leases

PWC entered into a ten-year lease agreement for office space on August 1, 2014. 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 $132,050 is presented as deferred rent at June 30, 2020 in the accompanying consolidated statement of financial position.

Annual minimum future rental payments under non-cancelable operating leases as of June 30, 2020 are as follows:

Year Ending June 30,	Space	Office Equipment
2021	$ 275,200	$ 6,530
2022	282,899	-
2023	290,829	-
2024	298,996	-
2025	24,973	-
	$ 1,172,897	$ 6,530

Total rent expense amounted to $314,433 for the year ended June 30, 2020.

13. Contingencies

PWC and subsidiary 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.

13. Contingencies *(continued)*

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 and subsidiary is not aware of any allegations of noncompliance that could have a material adverse effect on PWC and subsidiary's change in net assets or financial position and believes that it is substantially in compliance with all applicable laws and regulations.

14. Line of Credit

PWC had a secured line of credit of $950,000 that expired on February 15, 2020. PWC renewed the line of credit on March 4, 2020 for $950,000. The line expires on March 4, 2021 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, 2020.

15. COVID-19

Although the COVID-19 pandemic closed New York City schools in March 2020, PWC and subsidiary continued to support students, families and school staff remotely through the end of the school year. The pandemic did force the cancellation of PWC and subsidiary's primary fundraising event in June 2020, which caused PWC and subsidiary to report an operating deficit for fiscal year 2020. The full duration and extent of the COVID-19 pandemic, and its impact on fundraising in fiscal year 2021, is uncertain as of the date these consolidated financial statements were available for issuance. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in fiscal year 2021 cannot be reasonably estimated at this time.

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, PWC and subsidiary's investments have incurred fluctuation in their fair value since June 30, 2020. Because the value of investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

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Partnership with Children, Inc. and Subsidiary

Supplemental Schedules to the
Consolidated Financial Statements

June 30, 2020

Partnership with Children, Inc. and Subsidiary

Consolidating Statement of Financial Position

June 30, 2020

	Partnership with Children, Inc.	The Center for for Arts Education, Inc.	Consolidated
ASSETS			
Cash and cash equivalents	$ 3,339,399	$ 255,385	$ 3,594,784
Government grants and contracts receivable	2,601,741	340,964	2,942,705
Contributions and grants receivable	156,500	17,613	174,113
Intercompany receivable (payable)	4,366	(4,366)	-
Prepaid expenses and other assets	132,545	12,276	144,821
Investments	4,929,962	475,013	5,404,975
Furniture, equipment and leasehold improvements, net	4,034	733	4,767
	$ 11,168,547	$ 1,097,618	$ 12,266,165
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 766,116	$ 81,022	$ 847,138
Deferred rent	132,050	-	132,050
Loans payable	1,284,793	203,160	1,487,953
Total Liabilities	2,182,959	284,182	2,467,141
Net Assets			
Without donor restrictions	8,071,377	813,436	8,884,813
With Donor Restrictions			
Time or purpose restricted	689,211	-	689,211
Investments held in perpetuity	225,000	-	225,000
Total Net Assets	8,985,588	813,436	9,799,024
	$ 11,168,547	$ 1,097,618	$ 12,266,165

Partnership with Children, Inc. and Subsidiary

Consolidating Statement of Activities

Year Ended June 30, 2020
(with CAE activity for the period December 12, 2019 to June 30, 2020)

	Without Donor Restrictions			With Donor Restrictions			
	Partnership with Children, Inc.	The Center for for Arts Education, Inc.	Total	Partnership with Children, Inc.	The Center for for Arts Education, Inc.	Total	Consolidated
OPERATING SUPPORT AND REVENUE							
Governmental grants and other program service fees	$ 7,505,801	$ 335,565	$ 7,841,366	$ -	$ -	$ -	$ 7,841,366
Other grants and contributions	358,214	123,572	481,786	1,889,745	66,981	1,956,726	2,438,512
Fundraising events, net of direct benefits to donors of $107,568	(440)	-	(440)	-	-	-	(440)
Allocated investment return	125,676	12,679	138,355	2,971	-	2,971	141,326
Net assets released from restrictions	1,606,480	66,981	1,673,461	(1,606,480)	(66,981)	(1,673,461)	-
Total Operating Support and Revenue	9,595,731	538,797	10,134,528	286,236	-	286,236	10,420,764
OPERATING EXPENSES							
Program services	7,678,573	491,416	8,169,989	-	-	-	8,169,989
Management and general	1,241,287	113,021	1,354,308	-	-	-	1,354,308
Fundraising	700,236	63,049	763,285	-	-	-	763,285
Total Operating Expenses	9,620,096	667,486	10,287,582	-	-	-	10,287,582
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	(24,365)	(128,689)	(153,054)	286,236	-	286,236	133,182
NON-OPERATING ITEMS							
Investment return after allocation to operations	(10,007)	4,971	(5,036)	-	-	-	(5,036)
Change in Net Assets	(34,372)	(123,718)	(158,090)	286,236	-	286,236	128,146
NET ASSETS							
Beginning of year	8,105,749	937,154	9,042,903	627,975	-	627,975	9,670,878
End of year	$ 8,071,377	$ 813,436	$ 8,884,813	$ 914,211	$ -	$ 914,211	$ 9,799,024

See independent auditors' report