

Partnership with Children, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2021 and 2020

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 statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2021 and 2020, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the financial statements, on December 12, 2019, The Center for Arts Education, Inc. ("CAE"), a related party, entered into an affiliation agreement with Partnership with Children, Inc. ("PWC"). After a successful affiliation period, CAE merged into PWC, the surviving corporation, on October 1, 2021 and will operate as a part of PWC. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities as of and for the year ended June 30, 2021 on pages 20-21 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 8, 2021

Partnership with Children, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,084,806	\$ 3,594,784
Government grants and contracts receivable	4,093,304	2,942,705
Contributions and grants receivable	60,000	174,113
Prepaid expenses and other assets	155,839	144,821
Investments	6,682,367	5,404,975
Furniture, equipment and leasehold improvements, net	<u>1,464</u>	<u>4,767</u>
	<u>\$ 14,077,780</u>	<u>\$ 12,266,165</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,084,103	\$ 847,138
Deferred rent	111,751	132,050
Loans payable	<u>1,487,953</u>	<u>1,487,953</u>
Total Liabilities	<u>2,683,807</u>	<u>2,467,141</u>
Net Assets		
Without donor restrictions	10,425,373	8,884,813
With Donor Restrictions		
Time or purpose restricted	743,600	689,211
Investments held in perpetuity	<u>225,000</u>	<u>225,000</u>
Total Net Assets	<u>11,393,973</u>	<u>9,799,024</u>
	<u>\$ 14,077,780</u>	<u>\$ 12,266,165</u>

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Investments Held In Perpetuity	
OPERATING SUPPORT AND REVENUE				
Governmental grants and other program service fees	\$ 9,267,765	\$ -	\$ -	\$ 9,267,765
Foundation, corporation, individuals and other	674,188	1,907,250	-	2,581,438
Fundraising events, net of direct benefits to donors of \$70,004	125,739	464,274	-	590,013
Allocated investment return	107,826	26,635	-	134,461
Net assets released from restrictions	2,343,770	(2,343,770)	-	-
Total Operating Support and Revenue	<u>12,519,288</u>	<u>54,389</u>	<u>-</u>	<u>12,573,677</u>
OPERATING EXPENSES				
Program services	10,083,987	-	-	10,083,987
Management and general	1,370,241	-	-	1,370,241
Fundraising	630,731	-	-	630,731
Total Operating Expenses	<u>12,084,959</u>	<u>-</u>	<u>-</u>	<u>12,084,959</u>
Excess of Operating Support and Revenue Over Operating Expenses	434,329	54,389	-	488,718
NON-OPERATING ITEMS				
Investment return after allocation to operations	1,106,231	-	-	1,106,231
Change in Net Assets	1,540,560	54,389	-	1,594,949
NET ASSETS				
Beginning of year	<u>8,884,813</u>	<u>689,211</u>	<u>225,000</u>	<u>9,799,024</u>
End of year	<u>\$ 10,425,373</u>	<u>\$ 743,600</u>	<u>\$ 225,000</u>	<u>\$ 11,393,973</u>

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		Total
		Time or Purpose Restricted	Investments Held In Perpetuity	
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	<u>10,134,528</u>	<u>286,236</u>	<u>-</u>	<u>10,420,764</u>
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	<u>10,287,582</u>	<u>-</u>	<u>-</u>	<u>10,287,582</u>
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	<u>\$ 8,884,813</u>	<u>\$ 689,211</u>	<u>\$ 225,000</u>	<u>\$ 9,799,024</u>
See notes to consolidated financial statements				

Partnership with Children, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and wages	\$ 6,414,741	\$ 849,582	\$ 273,353	\$ -	\$ 7,537,676
Payroll taxes and employee benefits	1,210,069	158,981	49,649	-	1,418,699
Professional fees	838,817	180,858	179,523	45,207	1,244,405
Supplies and subscriptions	293,830	9,166	13,780	18,612	335,388
Telephone and communications	62,077	31,145	11,828	-	105,050
Printing and postage	4,715	1,142	5,142	4,931	15,930
Travel expenses	25,319	3,694	54	-	29,067
Software and equipment	257,192	23,020	1,799	-	282,011
Occupancy	170,929	70,396	53,003	-	294,328
Student meals and activities	571,585	-	-	-	571,585
Student stipends and scholarships	35,000	-	-	-	35,000
Insurance	40,104	7,355	2,278	-	49,737
Staff development and recruitment	148,848	10,779	23,404	-	183,031
Depreciation	529	2,628	146	-	3,303
Bank and credit card charges	-	1,682	12,335	-	14,017
Miscellaneous	10,232	19,813	4,437	1,254	35,736
Total Functional Expenses	10,083,987	1,370,241	630,731	70,004	12,154,963
Less direct benefit to donors	-	-	-	(70,004)	(70,004)
Total Expenses	<u>\$ 10,083,987</u>	<u>\$ 1,370,241</u>	<u>\$ 630,731</u>	<u>\$ -</u>	<u>\$ 12,084,959</u>

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	<u>8,169,989</u>	<u>1,354,308</u>	<u>763,285</u>	<u>107,568</u>	<u>10,395,150</u>
Less direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,568)</u>	<u>(107,568)</u>
Total Expenses	<u>\$ 8,169,989</u>	<u>\$ 1,354,308</u>	<u>\$ 763,285</u>	<u>\$ -</u>	<u>\$ 10,287,582</u>

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,594,949	\$ 128,146
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) on investments	(1,120,506)	(10,506)
Depreciation	3,303	5,680
Donated stock	(37,201)	(108,182)
Deferred rent	(20,299)	(11,536)
Changes in Operating Assets and Liabilities, net of acquisition		
Government grants and contracts receivable	(1,150,599)	(33,316)
Contributions and grants receivable	114,113	625,832
Prepaid expenses and other assets	(11,018)	88,458
Accounts payable and accrued expenses	236,965	(267,465)
Deferred revenue	-	(200,000)
Net Cash from Operating Activities	(390,293)	217,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(575,939)	(457,543)
Proceeds from sale of investments	650,271	584,331
Cash acquired from CAE	-	129,502
Net change in money market funds	(194,017)	(50,877)
Net Cash from Investing Activities	(119,685)	205,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	1,487,953
Net Change in Cash and Cash Equivalents	(509,978)	1,910,477
CASH AND CASH EQUIVALENTS		
Beginning of year	3,594,784	1,684,307
End of year	\$ 3,084,806	\$ 3,594,784

See notes to consolidated financial statements

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

1. Organization

Founded in 1908, Partnership with Children, Inc. (“PWC”) places and supervises full-time social workers and community school staff (family outreach workers, community school directors, and afterschool and summer program managers) in schools across New York City. PWC’s programs are rooted in a trauma-informed approach, a steadfast commitment to antiracism, and deep expertise in children’s social-emotional wellbeing. In fiscal year 2021, PWC partnered with 31 schools across all five boroughs, including 5 charter schools and 17 community schools—making PWC a lead provider of comprehensive community engagement programs and mental health services for the NYC Department of Education. PWC’s programs increase student attendance and achievement, improve students’ social-emotional health, and improve school climate and safety metrics.

PWC provides a social work program in each of its partner schools, consisting of crisis intervention, trauma-informed counseling, social-emotional learning (SEL) programs, training in restorative practices, and family outreach. PWC is committed to robust clinical supervision for every social worker on its staff. In its 17 community schools, PWC’s specialized teams also integrate academics, health, social services, youth development, and community engagement. In fiscal year 2021, PWC also provided a preventive services program funded by the Administration for Children’s Services; the COVID-19 support program Project Hope, funded through the Research Foundation for Mental Hygiene; and out-of-school-time programming in 7 schools, funded through New York State 21st Century Community Learning Center and NYC Department of Youth and Community Development contracts.

On December 12, 2019, PWC became the sole member of The Center for Arts Education (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 2021, CAE provided a portfolio of arts, training, and career development programs for students, faculty and parents in more than 60 New York City public schools. CAE is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The 2020 consolidated financial statements include CAE’s activity, changes in its net assets and cash flows from December 12, 2019 through June 30, 2020. After a successful affiliation period, CAE merged into PWC, the surviving corporation, on October 1, 2021 and will operate as a part of PWC.

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

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.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies

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.

Cash and Cash Equivalents

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

Fair Value Measurements

PWC and Subsidiary follow 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 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, 2021 and 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 \$5,000. CAE capitalizes all purchases of property and equipment greater than or equal to \$1,000.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

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 statements 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.

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 receive donated goods and services. PWC and Subsidiary recognize goods and services provided which have an ascertainable value and are an integral part of their 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 have elected to include an operating measure in their consolidated statements 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.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Functional Expenses

PWC and Subsidiary allocate their 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 make 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 are no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to fiscal June 30, 2018.

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 8, 2021.

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 maintain their cash with high credit quality financial institutions and their 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 have 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 \$60,000 and \$174,113 at June 30, 2021 and 2020, are deemed collectible by management and are due in less than one year.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2021 and 2020

5. Investments

The following are major categories of investments as of June 30:

	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Equities						
Technology	\$ -	\$ -	\$ -	\$ 6,181	\$ -	\$ 6,181
Mutual Funds						
Equity funds	3,882,365	-	3,882,365	3,038,150	-	3,038,150
Fixed income funds	1,273,081	-	1,273,081	987,267	-	987,267
Asset allocation	433,656	-	433,656	326,503	-	326,503
Fixed Income Securities						
Asset backed securities	-	22,655	22,655	-	24,348	24,348
Corporate bonds	-	229,867	229,867	-	375,800	375,800
Total at Fair Value	<u>\$ 5,589,102</u>	<u>\$ 252,522</u>	5,841,624	<u>\$ 4,358,101</u>	<u>\$ 400,148</u>	4,758,249
Money market funds, at cost			840,743			646,726
Total			<u>\$ 6,682,367</u>			<u>\$ 5,404,975</u>

At June 30, 2021 and 2020 three diversified mutual funds represented 65% and 58% of PWC and Subsidiary's total investment portfolio.

Investment return consists of the following for the years ended June 30:

	2021	2020
Interest and dividend income	\$ 134,461	\$ 141,326
Realized gain on sale of investments	76,838	3,898
Unrealized gain on investments	1,043,668	6,608
Management fees	(14,275)	(15,542)
Total	<u>\$ 1,240,692</u>	<u>\$ 136,290</u>

6. Furniture, Equipment and Leasehold Improvements

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

	2021	2020
Furniture, fixtures, and equipment	\$ 52,429	\$ 52,429
Leasehold improvements	<u>26,984</u>	<u>26,984</u>
	79,413	79,413
Accumulated depreciation	<u>(77,949)</u>	<u>(74,646)</u>
	<u>\$ 1,464</u>	<u>\$ 4,767</u>

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 is 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").

As of June 30, 2021 and 2020 the PPP loans are recognized as a liability on the consolidated statements of financial position. PWC and Subsidiary will recognize the income from the forgiveness of the PPP loans when they receive the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 Debt. On August 16, 2021, PWC received notification of forgiveness of the entire PPP loan amount. On August 25, 2021, CAE received notification of forgiveness for \$150,261 of the total PPP loan amount. CAE paid the remaining principal balance of \$52,899 and accrued interest on August 31, 2021.

8. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Social work program	\$ 541,100	\$ -
Charter school initiative	-	186,173
Community school support	200,000	61,815
COVID-19 relief	-	22,978
Parents as arts partners	2,500	-
Time restrictions	-	418,245
Total	<u>\$ 743,600</u>	<u>\$ 689,211</u>

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

8. Net Assets with Donor Restrictions (continued)

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

	<u>2021</u>	<u>2020</u>
Social work program	\$ 1,205,674	\$ 1,035,202
Charter school initiative	282,173	360,000
Community school support	306,815	138,185
Development support	-	25,000
Freedom school support	-	3,100
Career development	75,000	39,981
Parents as arts partners	2,500	7,000
COVID-19 relief	25,228	62,022
School based residency	1,500	-
Other	26,635	2,971
Time restrictions	<u>418,245</u>	<u>-</u>
Total	<u>\$ 2,343,770</u>	<u>\$ 1,673,461</u>

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, 2021 and 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.

The following is a reconciliation of the investment activity in the donor restricted funds for the years ended June 30, 2021 and 2020:

	Time or Purpose Restricted	Investments Held In Perpetuity	Total
	<u> </u>	<u> </u>	<u> </u>
Balance at July 1, 2019	\$ -	\$ 225,000	\$ 225,000
Investment return earned	2,971	-	2,971
Appropriated for expenditures	<u>(2,971)</u>	<u>-</u>	<u>(2,971)</u>
Balance at June 30, 2020	-	225,000	225,000
Investment return earned	26,635	-	26,635
Appropriated for expenditures	<u>(26,635)</u>	<u>-</u>	<u>(26,635)</u>
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

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, 2021, 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.

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.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 statements of activities were \$141,605 and \$127,493 for 2021 and 2020.

CAE maintained 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 matched 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 2020 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. The CAE 403(b) plan was terminated effective March 31, 2021.

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 as of June 30:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 3,084,806	\$ 3,594,784
Government grants and contracts receivable	4,093,304	2,942,705
Contributions and grants receivable	60,000	174,113
Investments	<u>6,682,367</u>	<u>5,404,975</u>
Total financial assets	<u>13,920,477</u>	<u>12,116,577</u>
Less: Donor restrictions		
Restricted by donor with time or purpose restrictions	743,600	689,211
Investments held in perpetuity	<u>225,000</u>	<u>225,000</u>
	<u>968,600</u>	<u>914,211</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 12,951,877</u>	<u>\$ 11,202,366</u>

As part of PWC and Subsidiary's liquidity management strategy, PWC and Subsidiary structure their financial assets to be available as their 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.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 \$111,751 and \$132,050 is presented as deferred rent at June 30, 2021 and 2020 in the accompanying consolidated statements of financial position.

Annual minimum future rental payments under non-cancelable operating leases as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Space</u>	<u>Office Equipment</u>
2022	\$ 282,899	\$ 4,320
2023	290,829	4,320
2024	298,996	4,320
2025	24,973	4,320
2026	-	3,240
	<u>\$ 897,697</u>	<u>\$ 20,520</u>

Total rent expense amounted to \$266,301 and \$314,433 for the years ended June 30, 2021 and 2020.

13. Contingencies

PWC and Subsidiary received funding for many of their 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 Administration for Children's Services, 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 and Subsidiary are 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 believe that they are substantially in compliance with all applicable laws and regulations.

Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

13. Contingencies (*continued*)

PWC has been involved in certain legal actions during the ordinary course of business. Although the ultimate outcome of legal proceedings cannot be predicted with any certainty, PWC believes it has defenses for such claims, that the claims as they relate to PWC are substantially without merit, and legal actions against PWC will not have a material effect on PWC's financial position, activities, or cash flows.

14. Line of Credit

PWC had a secured line of credit of \$950,000 that expired on March 4, 2021. PWC renewed the line of credit on May 7, 2021 for \$950,000. The line expires on May 10, 2022 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, 2021 and 2020.

15. COVID-19

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these consolidated financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in fiscal year 2022 and beyond 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 may have incurred fluctuations in their fair value since June 30, 2021. Because the value of PWC and Subsidiary's 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., Inc. and Subsidiary

Supplemental Schedules to the
Consolidated Financial Statements

June 30, 2021

Partnership with Children, Inc. and Subsidiary

Consolidating Schedule of Financial Position

June 30, 2021

	<u>Partnership with Children, Inc.</u>	<u>The Center for Arts Education, Inc.</u>	<u>Consolidated</u>
ASSETS			
Cash and cash equivalents	\$ 2,603,442	\$ 481,364	\$ 3,084,806
Government grants and contracts receivable	3,755,270	338,034	4,093,304
Contributions and grants receivable	55,000	5,000	60,000
Intercompany receivable (payable)	67,778	(67,778)	-
Prepaid expenses and other assets	155,839	-	155,839
Investments	6,197,664	484,703	6,682,367
Furniture, equipment and leasehold improvements, net	<u>1,464</u>	<u>-</u>	<u>1,464</u>
	<u>\$ 12,836,457</u>	<u>\$ 1,241,323</u>	<u>\$ 14,077,780</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 1,040,942	\$ 43,161	\$ 1,084,103
Deferred rent	111,751	-	111,751
Loans payable	<u>1,284,793</u>	<u>203,160</u>	<u>1,487,953</u>
Total Liabilities	<u>2,437,486</u>	<u>246,321</u>	<u>2,683,807</u>
Net Assets			
Without donor restrictions	9,432,871	992,502	10,425,373
With Donor Restrictions			
Time or purpose restricted	741,100	2,500	743,600
Investments held in perpetuity	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total Net Assets	<u>10,398,971</u>	<u>995,002</u>	<u>11,393,973</u>
	<u>\$ 12,836,457</u>	<u>\$ 1,241,323</u>	<u>\$ 14,077,780</u>

See independent auditors' report

Partnership with Children, Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended June 30, 2021

	Without Donor Restrictions			With Donor Restrictions			Consolidated
	Partnership with Children, Inc.	The Center for Arts Education, Inc.	Total	Partnership with Children, Inc.	The Center for Arts Education, Inc.	Total	
OPERATING SUPPORT AND REVENUE							
Governmental grants and other program service fees	\$ 8,798,582	\$ 469,183	\$ 9,267,765	\$ -	\$ -	\$ -	\$ 9,267,765
Other grants and contributions	349,026	325,162	674,188	1,825,750	81,500	1,907,250	2,581,438
Fundraising events, net of direct benefits to donors of \$70,004	125,739	-	125,739	464,274	-	464,274	590,013
Allocated investment return	91,174	16,652	107,826	26,635	-	26,635	134,461
Net assets released from restrictions	2,264,770	79,000	2,343,770	(2,264,770)	(79,000)	(2,343,770)	-
Total Operating Support and Revenue	<u>11,629,291</u>	<u>889,997</u>	<u>12,519,288</u>	<u>51,889</u>	<u>2,500</u>	<u>54,389</u>	<u>12,573,677</u>
OPERATING EXPENSES							
Program services	9,580,719	503,268	10,083,987	-	-	-	10,083,987
Management and general	1,271,287	98,954	1,370,241	-	-	-	1,370,241
Fundraising	528,985	101,746	630,731	-	-	-	630,731
Total Operating Expenses	<u>11,380,991</u>	<u>703,968</u>	<u>12,084,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,084,959</u>
Excess of Operating Support and Revenue Over Operating Expenses	248,300	186,029	434,329	51,889	2,500	54,389	488,718
NON-OPERATING ITEMS							
Investment return after allocation to operations	1,113,194	(6,963)	1,106,231	-	-	-	1,106,231
Change in Net Assets	1,361,494	179,066	1,540,560	51,889	2,500	54,389	1,594,949
NET ASSETS							
Beginning of year	<u>8,071,377</u>	<u>813,436</u>	<u>8,884,813</u>	<u>914,211</u>	<u>-</u>	<u>914,211</u>	<u>9,799,024</u>
End of year	<u>\$ 9,432,871</u>	<u>\$ 992,502</u>	<u>\$ 10,425,373</u>	<u>\$ 966,100</u>	<u>\$ 2,500</u>	<u>\$ 968,600</u>	<u>\$ 11,393,973</u>

See independent auditors' report