

# **Partnership with Children, Inc. and Subsidiary**

Consolidated Financial Statements

June 30, 2022 and 2021

## **Independent Auditors' Report**

### **Board of Directors Partnership with Children, Inc., and Subsidiary**

#### ***Opinion***

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of PWC and Subsidiary as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PWC and Subsidiary and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 of the consolidated 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 operated as a part of PWC. Our opinion is not modified with respect to this matter.

#### ***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PWC and Subsidiary's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PWC and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PWC and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***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, 2022 on pages 21-22 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 15, 2022

**Partnership with Children, Inc. and Subsidiary**

Consolidated Statements of Financial Position

	June 30	
	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,574,745	\$ 3,084,806
Government grants and contracts receivable	4,424,157	4,093,304
Contributions and grants receivable	807,127	60,000
Prepaid expenses and other assets	148,866	155,839
Investments	5,708,866	6,682,367
Furniture, equipment and leasehold improvements, net	-	1,464
	<b>\$ 14,663,761</b>	<b>\$ 14,077,780</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,229,085	\$ 1,084,103
Deferred rent	83,754	111,751
Loans payable	-	1,487,953
Total Liabilities	1,312,839	2,683,807
Net Assets		
Without donor restrictions	12,507,281	10,425,373
With Donor Restrictions		
Time or purpose restricted	618,641	743,600
Investments held in perpetuity	225,000	225,000
Total Net Assets	13,350,922	11,393,973
	<b>\$ 14,663,761</b>	<b>\$ 14,077,780</b>

See notes to consolidated financial statements

**Partnership with Children, Inc. and Subsidiary**

Consolidated Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Investments Held In Perpetuity	
<b>OPERATING SUPPORT AND REVENUE</b>				
Governmental grants and other program service fees	\$ 11,743,393	\$ -	\$ -	\$ 11,743,393
Foundation, corporation, individuals and other	1,357,643	1,212,500	-	2,570,143
Fundraising events, net of direct benefits to donors of \$305,097	1,386,730	-	-	1,386,730
Allocated investment return	147,879	14,030	-	161,909
Net assets released from restrictions	1,351,489	(1,351,489)	-	-
Total Operating Support and Revenue	<u>15,987,134</u>	<u>(124,959)</u>	<u>-</u>	<u>15,862,175</u>
<b>OPERATING EXPENSES</b>				
Program services	12,084,182	-	-	12,084,182
Management and general	1,689,202	-	-	1,689,202
Fundraising	640,623	-	-	640,623
Total Operating Expenses	<u>14,414,007</u>	<u>-</u>	<u>-</u>	<u>14,414,007</u>
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	<u>1,573,127</u>	<u>(124,959)</u>	<u>-</u>	<u>1,448,168</u>
<b>NON-OPERATING ITEMS</b>				
PPP loan forgiveness	1,435,054	-	-	1,435,054
Investment return after allocation to operations	(926,273)	-	-	(926,273)
Total Non-Operating Items	<u>508,781</u>	<u>-</u>	<u>-</u>	<u>508,781</u>
Change in Net Assets	2,081,908	(124,959)	-	1,956,949
<b>NET ASSETS</b>				
Beginning of year	<u>10,425,373</u>	<u>743,600</u>	<u>225,000</u>	<u>11,393,973</u>
End of year	<u>\$ 12,507,281</u>	<u>\$ 618,641</u>	<u>\$ 225,000</u>	<u>\$ 13,350,922</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	
<b>OPERATING SUPPORT AND REVENUE</b>				
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	<u>2,343,770</u>	<u>(2,343,770)</u>	-	-
Total Operating Support and Revenue	<u>12,519,288</u>	<u>54,389</u>	-	<u>12,573,677</u>
<b>OPERATING EXPENSES</b>				
Program services	10,083,987	-	-	10,083,987
Management and general	1,370,241	-	-	1,370,241
Fundraising	<u>630,731</u>	-	-	<u>630,731</u>
Total Operating Expenses	<u>12,084,959</u>	-	-	<u>12,084,959</u>
Excess of Operating Support and Revenue Over Operating Expenses	434,329	54,389	-	488,718
<b>NON-OPERATING ITEMS</b>				
Investment return after allocation to operations	<u>1,106,231</u>	-	-	<u>1,106,231</u>
Change in Net Assets	1,540,560	54,389	-	1,594,949
<b>NET ASSETS</b>				
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 Functional Expenses  
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and wages	\$ 7,400,402	\$ 1,093,102	\$ 398,772	\$ -	\$ 8,892,276
Payroll taxes and employee benefits	1,492,694	221,167	80,657	-	1,794,518
Professional fees	1,101,529	103,418	75,955	284,364	1,565,266
Supplies and subscriptions	368,942	12,743	6,449	16,318	404,452
Telephone and communications	72,705	33,804	5,200	-	111,709
Printing and postage	7,007	1,684	5,978	3,494	18,163
Travel expenses	31,746	2,661	-	-	34,407
Software and equipment	173,283	20,873	181	-	194,337
Occupancy	237,296	86,963	28,024	-	352,283
Student meals and activities	951,515	-	-	-	951,515
Student stipends and scholarships	66,720	-	-	-	66,720
Insurance	41,677	6,020	2,201	-	49,898
Staff development and recruitment	133,149	103,965	1,787	-	238,901
Depreciation	-	1,464	-	-	1,464
Bank and credit card charges	-	-	27,377	-	27,377
Miscellaneous	5,517	1,338	8,042	921	15,818
Total Functional Expenses	<u>12,084,182</u>	<u>1,689,202</u>	<u>640,623</u>	<u>305,097</u>	<u>14,719,104</u>
Less direct benefit to donors	-	-	-	<u>(305,097)</u>	<u>(305,097)</u>
Total Expenses	<u>\$ 12,084,182</u>	<u>\$ 1,689,202</u>	<u>\$ 640,623</u>	<u>\$ -</u>	<u>\$ 14,414,007</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	<u>10,083,987</u>	<u>1,370,241</u>	<u>630,731</u>	<u>70,004</u>	<u>12,154,963</u>
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 Statements of Cash Flows

	Year Ended June 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,956,949	\$ 1,594,949
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized loss (gain) on investments	904,535	(1,120,506)
Depreciation	1,464	3,303
Donated stock	-	(37,201)
PPP loan forgiveness	(1,435,054)	-
Deferred rent	(27,997)	(20,299)
Changes in Operating Assets and Liabilities		
Government grants and contracts receivable	(330,853)	(1,150,599)
Contributions and grants receivable	(747,127)	114,113
Prepaid expenses and other assets	6,973	(11,018)
Accounts payable and accrued expenses	144,982	236,965
Net Cash from Operating Activities	473,872	(390,293)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(586,060)	(575,939)
Proceeds from sale of investments	235,496	650,271
Net change in money market funds	419,530	(194,017)
Net Cash from Investing Activities	68,966	(119,685)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on PPP loan	(52,899)	-
Net Change in Cash and Cash Equivalents	489,939	(509,978)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,084,806	3,594,784
End of year	\$ 3,574,745	\$ 3,084,806

See notes to consolidated financial statements

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 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 and a steadfast commitment to antiracism and are designed to increase student attendance and achievement, improve students’ social-emotional health, and improve school climate and safety metrics.

In fiscal year 2022, PWC partnered with 33 schools across all five boroughs, including 10 charter schools and 13 community schools. 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. In its 13 community schools, PWC’s specialized teams also integrate academics, health, social services, youth development, and community engagement. In fiscal year 2022, PWC also provided out-of-school-time programming in 10 of its partner schools, a preventive services program, and the COVID-19 support program Project Hope.

On October 1, 2021, the Center for Arts Education (CAE), a not-for-profit corporation organized for the purpose of ensuring that New York City public school students have quality arts learning as an essential part of their K-12 education, merged into PWC, the surviving corporation and operated as a part of PWC. In fiscal year 2022, CAE provided a portfolio of arts, training, and career development programs for students, faculty and parents in more than 40 New York City public schools. The 2022 consolidated financial statements include CAE’s activity, changes in its net assets and cash flows from July 1, 2021 through September 30, 2021.

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 disclosure of 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.

## **Partnership with Children, Inc. and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

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

#### ***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, 2022 and 2021.

#### ***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 capitalized 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, 2022 and 2021

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

#### ***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.

#### ***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 and other non-operating items.

#### ***Functional Expenses***

PWC and Subsidiary allocate their expenses on a functional basis among their 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.

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

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

#### ***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, 2019.

#### ***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 15, 2022.

### 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 \$807,127 and \$60,000 at June 30, 2022 and 2021, are deemed collectible by management and are due in less than one year.

### 5. Investments

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

	2022			2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Mutual Funds						
Equity funds	\$ 3,568,249	\$ -	\$ 3,568,249	\$ 3,882,365	\$ -	\$ 3,882,365
Fixed income funds	1,250,293	-	1,250,293	1,273,081	-	1,273,081
Asset allocation	469,111	-	469,111	433,656	-	433,656
Fixed Income Securities						
Asset backed securities	-	-	-	-	22,655	22,655
Corporate bonds	-	-	-	-	229,867	229,867
Total at Fair Value	<u>\$ 5,287,653</u>	<u>\$ -</u>	5,287,653	<u>\$ 5,589,102</u>	<u>\$ 252,522</u>	5,841,624
Money market funds, at cost			421,213			840,743
Total			<u>\$ 5,708,866</u>			<u>\$ 6,682,367</u>

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 5. Investments (continued)

At June 30, 2022 and 2021 three diversified mutual funds represented 67% and 65% of PWC and Subsidiary's total investment portfolio.

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 161,909	\$ 134,461
Realized (loss) gain on sale of investments	(10,523)	76,838
Unrealized (loss) gain on investments	(894,012)	1,043,668
Management fees	<u>(21,738)</u>	<u>(14,275)</u>
Total	<u>\$ (764,364)</u>	<u>\$ 1,240,692</u>

### 6. Furniture, Equipment and Leasehold Improvements

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

	<u>2022</u>	<u>2021</u>
Furniture, fixtures, and equipment	\$ 45,508	\$ 52,429
Leasehold improvements	<u>22,612</u>	<u>26,984</u>
	68,120	79,413
Accumulated depreciation	<u>(68,120)</u>	<u>(77,949)</u>
	<u>\$ -</u>	<u>\$ 1,464</u>

During the year ended June 30, 2022, PWC and Subsidiary retired \$11,293 of fully depreciated assets.

### 7. Loans Payable

On May 1, 2020, PWC received loan proceeds in the amount of \$1,284,793 and on May 4, 2020, 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").

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. Consequently, the forgiveness amount of \$1,435,054 has been reported as PPP loan forgiveness on the 2022 consolidated statement of activities.

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 8. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Social work program	\$ 130,833	\$ 541,100
Arts Programming	311,682	-
Community school support	25,414	200,000
Parents as arts partners	712	2,500
Time restrictions	150,000	-
Total	<u>\$ 618,641</u>	<u>\$ 743,600</u>

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

	<u>2022</u>	<u>2021</u>
Social work program	\$ 891,767	\$ 1,205,674
Charter school initiative	-	282,173
Community school support	214,586	306,815
Arts Programming	54,318	-
Executive Search	45,000	-
Career development	55,000	75,000
Parents as arts partners	1,788	2,500
COVID-19 relief	-	25,228
School based residency	-	1,500
Other	14,030	26,635
Time restrictions	75,000	418,245
Total	<u>\$ 1,351,489</u>	<u>\$ 2,343,770</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, 2022 and 2021 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.



## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 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 years ended June 30, 2022 and 2021:

	Time or Purpose Investments Held		
	Restricted	In Perpetuity	Total
Balance at July 1, 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	-	225,000	225,000
Investment return earned	14,030	-	14,030
Appropriated for expenditures	<u>(14,030)</u>	<u>-</u>	<u>(14,030)</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>

#### ***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, 2022, 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.

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

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

#### *Investment Strategy and Spending Policy (continued)*

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.

### 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 \$168,464 and \$141,605 for 2022 and 2021.

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. As of February 1, 2020, all eligible CAE employees were able to participate in the PWC 401(k) profit sharing retirement plan and the CAE 403(b) plan was terminated effective March 31, 2021.

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 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:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,574,745	\$ 3,084,806
Government grants and contracts receivable	4,424,157	4,093,304
Contributions and grants receivable	807,127	60,000
Investments	5,708,866	6,682,367
Total financial assets	<u>14,514,895</u>	<u>13,920,477</u>
Less: Donor restrictions		
Restricted by donor with time or purpose restrictions	618,641	743,600
Investments held in perpetuity	<u>225,000</u>	<u>225,000</u>
	<u>843,641</u>	<u>968,600</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,671,254</u>	<u>\$ 12,951,877</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 an 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 \$83,754 and \$111,751 is presented as deferred rent at June 30, 2022 and 2021 in the accompanying consolidated statements of financial position.

## Partnership with Children, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 12. Commitments *(continued)*

#### *Leases (continued)*

Annual minimum future rental payments under non-cancelable operating leases as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Space</u>	<u>Office Equipment</u>
2023	\$ 360,129	\$ 4,320
2024	370,029	4,320
2025	97,782	4,320
2026	74,628	3,240
	<u>\$ 902,568</u>	<u>\$ 16,200</u>

Total rent expense amounted to \$312,631 and \$266,301 for the years ended June 30, 2022 and 2021.

### 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.

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.

## **Partnership with Children, Inc. and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### **14. Line of Credit**

PWC had a secured line of credit of \$950,000 that expired on May 10, 2022. On August 17, 2022, PWC renewed the line of credit for \$950,000. The line expires on August 26, 2023 and has an interest rate of 3% plus the Adjusted SOFR rate. There were no amounts drawn upon or outstanding under the line as of June 30, 2022 and 2021.

\* \* \* \* \*

**Partnership with Children, Inc. and Subsidiary**

Supplemental Schedules to the  
Consolidated Financial Statements

June 30, 2022

**Partnership with Children, Inc. and Subsidiary**

Consolidating Schedule of Financial Position

June 30, 2022

	<u>Partnership with Children, Inc.</u>	<u>The Center for Arts Education, Inc.</u>	<u>Consolidated</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,574,745	\$ -	\$ 3,574,745
Government grants and contracts receivable	4,424,157	-	4,424,157
Contributions and grants receivable	807,127	-	807,127
Prepaid expenses and other assets	148,866	-	148,866
Investments	<u>5,708,866</u>	<u>-</u>	<u>5,708,866</u>
	<u>\$ 14,663,761</u>	<u>\$ -</u>	<u>\$ 14,663,761</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	\$ 1,229,085	\$ -	\$ 1,229,085
Deferred rent	83,754	-	83,754
Total Liabilities	<u>1,312,839</u>	<u>-</u>	<u>1,312,839</u>
Net Assets			
Without donor restrictions	12,507,281	-	12,507,281
With Donor Restrictions			
Time or purpose restricted	618,641	-	618,641
Investments held in perpetuity	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total Net Assets	<u>13,350,922</u>	<u>-</u>	<u>13,350,922</u>
	<u>\$ 14,663,761</u>	<u>\$ -</u>	<u>\$ 14,663,761</u>

## Partnership with Children, Inc. and Subsidiary

### Consolidating Schedule of Activities

Year Ended June 30, 2022

	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	
<b>OPERATING SUPPORT AND REVENUE</b>							
Governmental grants and other program service fees	\$ 11,600,687	\$ 142,706	\$ 11,743,393	\$ -	\$ -	\$ -	\$ 11,743,393
Foundation, corporation, individuals and other	1,356,369	1,274	1,357,643	1,192,500	20,000	1,212,500	2,570,143
Fundraising events, net of direct benefits to donors of \$305,097	1,386,730	-	1,386,730	-	-	-	1,386,730
Allocated investment return	147,212	667	147,879	14,030	-	14,030	161,909
Net assets released from restrictions	1,331,489	20,000	1,351,489	(1,331,489)	(20,000)	(1,351,489)	-
Total Operating Support and Revenue	<u>15,822,487</u>	<u>164,647</u>	<u>15,987,134</u>	<u>(124,959)</u>	<u>-</u>	<u>(124,959)</u>	<u>15,862,175</u>
<b>OPERATING EXPENSES</b>							
Program services	11,933,619	150,563	12,084,182	-	-	-	12,084,182
Management and general	1,664,443	24,759	1,689,202	-	-	-	1,689,202
Fundraising	636,800	3,823	640,623	-	-	-	640,623
Total Operating Expenses	<u>14,234,862</u>	<u>179,145</u>	<u>14,414,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,414,007</u>
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	<u>1,587,625</u>	<u>(14,498)</u>	<u>1,573,127</u>	<u>(124,959)</u>	<u>-</u>	<u>(124,959)</u>	<u>1,448,168</u>
<b>NON-OPERATING ITEMS</b>							
PPP loan forgiveness	1,284,793	150,261	1,435,054	-	-	-	1,435,054
Investment return after allocation to operations	(923,424)	(2,849)	(926,273)	-	-	-	(926,273)
Total Non-Operating Items	<u>361,369</u>	<u>147,412</u>	<u>508,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,781</u>
Change in Net Assets	1,948,994	132,914	2,081,908	(124,959)	-	(124,959)	1,956,949
<b>NET ASSETS</b>							
Beginning of year	9,432,871	992,502	10,425,373	966,100	2,500	968,600	11,393,973
Net assets transferred from CAE	1,125,416	(1,125,416)	-	2,500	(2,500)	-	-
End of year	<u>\$ 12,507,281</u>	<u>\$ -</u>	<u>\$ 12,507,281</u>	<u>\$ 843,641</u>	<u>\$ -</u>	<u>\$ 843,641</u>	<u>\$ 13,350,922</u>

See independent auditors' report