

The Center for Arts Education, Inc.

Financial Statements

June 30, 2020 and 2019



Independent Auditors' Report

Board of Directors The Center for Arts Education, Inc.

We have audited the accompanying financial statements of The Center for Arts Education, Inc. ("CAE"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAE as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

December 16, 2020

PKF O'CONNOR DAVIES, LLP
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The Center for Arts Education, Inc.

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 255,385	\$ 177,331
Investments	475,013	634,320
Contributions and grants receivable	358,577	272,523
Prepaid and other assets	12,276	79,183
Property and equipment, net	<u>733</u>	<u>2,271</u>
	<u>\$ 1,101,984</u>	<u>\$ 1,165,628</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 81,022	\$ 80,859
Deferred revenue	-	14,500
Due to related party	4,366	-
Loan payable	<u>203,160</u>	<u>-</u>
Total Liabilities	288,548	95,359
Net Assets		
Without donor restrictions	<u>813,436</u>	<u>1,070,269</u>
	<u>\$ 1,101,984</u>	<u>\$ 1,165,628</u>

See notes to financial statements

The Center for Arts Education, Inc.

Statements of Activities

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Foundations, corporations, individuals and other	\$ 317,917	\$ 114,000	\$ 431,917	\$ 511,599	\$ 52,500	\$ 564,099
Special events, net of direct benefit to donors of \$0 and \$28,294	-	-	-	172,764	-	172,764
Contributions in-kind	-	-	-	262,389	-	262,389
Government support	510,750	-	510,750	376,979	-	376,979
Interest and investment income, net	31,751	-	31,751	49,464	-	49,464
Other revenue	2,402	-	2,402	18,924	-	18,924
Fee income	120,122	-	120,122	467,343	-	467,343
Net assets released from restrictions	114,000	(114,000)	-	123,202	(123,202)	-
Total Support and Revenue	<u>1,096,942</u>	<u>-</u>	<u>1,096,942</u>	<u>1,982,664</u>	<u>(70,702)</u>	<u>1,911,962</u>
EXPENSES						
Program services	902,697	-	902,697	1,400,229	-	1,400,229
Management and general	242,965	-	242,965	583,227	-	583,227
Fundraising expenses	208,113	-	208,113	373,271	-	373,271
Total Expenses	<u>1,353,775</u>	<u>-</u>	<u>1,353,775</u>	<u>2,356,727</u>	<u>-</u>	<u>2,356,727</u>
Change in Net Assets	(256,833)	-	(256,833)	(374,063)	(70,702)	(444,765)
NET ASSETS						
Beginning of year	<u>1,070,269</u>	<u>-</u>	<u>1,070,269</u>	<u>1,444,332</u>	<u>70,702</u>	<u>1,515,034</u>
End of year	<u>\$ 813,436</u>	<u>\$ -</u>	<u>\$ 813,436</u>	<u>\$ 1,070,269</u>	<u>\$ -</u>	<u>\$ 1,070,269</u>

See notes to financial statements

The Center for Arts Education, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2020				For the Year Ended June 30, 2019				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries	\$ 479,792	\$ 44,829	\$ 120,177	\$ 644,798	\$ 790,221	\$ 74,562	\$ 201,052	\$ -	\$ 1,065,835
Payroll taxes and employee benefits	116,151	14,998	29,581	160,730	135,682	12,802	34,521	-	183,005
School based programming	70,928	-	-	70,928	98,563	-	-	-	98,563
School based programming (Scholarship)	31,000	-	-	31,000	35,000	-	-	-	35,000
Conferences	8,750	211	5	8,966	24,877	3,365	615	27,794	56,651
Occupancy	91,737	10,568	23,363	125,668	98,120	9,258	24,964	-	132,342
Travel	4,302	57	-	4,359	14,631	1,030	184	-	15,845
Professional fees	58,411	142,690	21,351	222,452	97,074	205,353	70,332	-	372,759
Performance fees	1,214	-	-	1,214	8,664	-	-	-	8,664
Program supplies	5,915	-	-	5,915	15,308	-	-	-	15,308
Office expenses	844	3,865	2,917	7,626	18,772	1,640	4,551	-	24,963
Telephone	12,008	1,384	3,058	16,450	13,262	1,251	3,374	-	17,887
Insurance	247	6,551	63	6,861	-	6,855	-	-	6,855
Equipment rental and maintenance	18,310	10,734	5,233	34,277	36,933	3,485	9,397	500	50,315
Fundraising and hospitality	180	262	548	990	-	-	20,942	-	20,942
Depreciation and amortization	-	1,538	-	1,538	1,651	156	420	-	2,227
Miscellaneous expense	2,908	5,278	1,817	10,003	11,471	1,081	2,919	-	15,471
Total Functional Expenses Before									
In-kind Legal Expenses	902,697	242,965	208,113	1,353,775	1,400,229	320,838	373,271	28,294	2,122,632
In-kind legal expenses	-	-	-	-	-	262,389	-	-	262,389
Less direct benefit to donors	-	-	-	-	-	-	-	(28,294)	(28,294)
Total Expenses	<u>\$ 902,697</u>	<u>\$ 242,965</u>	<u>\$ 208,113</u>	<u>\$ 1,353,775</u>	<u>\$ 1,400,229</u>	<u>\$ 583,227</u>	<u>\$ 373,271</u>	<u>\$ -</u>	<u>\$ 2,356,727</u>

See notes to financial statements

The Center for Arts Education, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (256,833)	\$ (444,765)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,538	2,227
Deferred rent obligation	-	(94,651)
Realized and unrealized (gain) on investments	(6,223)	(14,890)
Changes in operating assets and liabilities		
Contributions and grants receivable	(86,054)	186,586
Prepaid and other assets	66,907	5,740
Accounts payable and accrued expenses	163	(60,092)
Deferred revenue	(14,500)	14,500
Due to related party	4,366	-
Net Cash from Operating Activities	<u>(290,636)</u>	<u>(405,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,184)	(7,852)
Proceeds from investment sales	<u>174,714</u>	<u>399,453</u>
Net Cash from Investing Activities	<u>165,530</u>	<u>391,601</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	<u>203,160</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	78,054	(13,744)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>177,331</u>	<u>191,075</u>
End of year	<u>\$ 255,385</u>	<u>\$ 177,331</u>

See notes to financial statements

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

1. Organization

The Center for Arts Education, Inc. ("CAE") was organized in 1996 under the Not-For-Profit Corporation Law of the State of New York, and is dedicated to ensuring that public school students have quality arts learning as an essential part of their K-12 education. Since its founding, CAE has implemented sustainable arts programs in hundreds of schools; provided high-quality professional development to teachers, artists, and administrators; created long-term partnerships between schools and cultural institutions; implemented programs that involve parents in arts education; opened doors for high school students exploring careers in the creative industries; published resources for educators and parents to replicate the success of their peers, and engaged with elected officials and decision makers providing topical information and reports on arts education issues and concerns.

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. CAE also operated its own robust career development program, which has provided internships in arts organizations and post-secondary financial assistance for more than 20 high school seniors annually. In response to the COVID-19 pandemic, CAE developed online arts resources, pivoted to remote media, and developed a partnership to create robust summer programs with culturally responsive reading materials, social-emotional learning, and healing arts.

In fiscal year 2020, The Board of Directors of CAE authorized CAE to enter into an affiliation agreement with Partnership with Children, Inc. ("PWC"), a related party. PWC is a not-for-profit corporation organized for the purpose of placing full-time social workers and community school directors in schools across New York City, providing trauma-informed care and critical mental health services, and engaging families in the school community and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. On December 12, 2019 PWC became the sole member of CAE.

CAE has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. CAE receives a significant portion of its support and revenue from private foundations, corporations, individuals and government funding sources.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation and Use of Estimates (continued)

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions - those resources that are not subject to donor-imposed restrictions and are available for the support of operations.

With donor restrictions - represent amounts restricted by donors to be used for specific activities or at some future date, or which require CAE to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

Change in Accounting Principle

Effective July 1, 2019, CAE 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 CAE’s financial statements.

In June 2018, 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 an immaterial impact on CAE’s financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds with maturities of three months or less at the time of purchase, except cash equivalents held in brokerage accounts as part of CAE’s investments.

Fair Value Measurements

CAE 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.

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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 gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property and Equipment

Property, equipment and leasehold improvements are recorded at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or the remaining lease term, whichever is shorter. All assets in excess of \$1,000 are capitalized.

Contributions

CAE recognizes contributions when the donor makes an unconditional promise to give and records contributions as with or without donor restricted support depending upon the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished or the time restriction has ended, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. The primary sources of revenue are grants and contributions from governments, foundations, individuals and corporations.

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on CAE's historical experience, review of account balances and expectations relative to collections. Management has determined no allowance was necessary at June 30, 2020 and 2019.

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. For example, program expenses include school based programming and scholarships, performance fees and program supplies among others. Certain expenses attributable to more than one program or supporting function have been allocated among programs, management and general and fundraising. These expenses include salaries, payroll taxes and employee benefits, professional fees, office expenses and equipment rental and maintenance among others, which are allocated based on estimates of time and effort and building space occupied.

Accounting for Uncertainty in Income Taxes

CAE recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that CAE had no uncertain tax positions that would require financial statement recognition or disclosure. CAE is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2017.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 16, 2020.

3. Concentration of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of receivables, which are expected to be collected in the normal course of business, cash and cash equivalents, and investments. CAE maintains its cash and cash equivalents and investments in what it believes are quality financial institutions. At times, these accounts exceed the federal and securities protection insurance limits and subject CAE to a concentration of credit risk. CAE has not experienced any losses in such accounts due to such concentrations. Investments are managed by professional investment advisors and managers and with an objective of diversifying by type of investments and industry concentrations in order that no individual investment or group of investments represents a significant concentration of market risk.

The Center for Arts Education, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

4. Fair Value Measurements

Fair values of assets measured by the fair value hierarchy at June 30 are as follows:

	2020		
	Level 1	Level 2	Total
Fixed Income Securities			
Asset backed securities	\$ -	\$ 24,348	\$ 24,348
Corporate bonds	-	375,800	375,800
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$400,148</u>	400,148
Temporary cash investments, at cost			74,865
Total Investments			<u>\$ 475,013</u>
	2019		
	Level 1	Level 2	Total
Fixed Income Securities			
Asset backed securities	\$ -	\$ 23,555	\$ 23,555
Municipal bonds	-	50,095	50,095
Corporate bonds	-	494,989	494,989
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$568,639</u>	568,639
Temporary cash investments, at cost			65,681
Total Investments			<u>\$ 634,320</u>

5. Property and Equipment

Property and equipment consist of the following as of June 30:

	2020	2019
Computer software	\$ 6,921	\$ 6,921
Leasehold improvements	<u>4,372</u>	<u>4,372</u>
	11,293	11,293
Less accumulated depreciation and amortization	<u>10,560</u>	<u>9,022</u>
	<u>\$ 733</u>	<u>\$ 2,271</u>

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

6. Loan Payable

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 loan bears 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 CAE believes this loan will be partially 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 Loan is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is determined by the SBA. If CAE does not apply for forgiveness, payments begin approximately 16 months after the loan date. As of June 30, 2020 the PPP loan is recognized as a liability on the 2020 statement of financial position. CAE will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 Debt.

Principal payments on the PPP Loan are payable as follows (provided the PPP loan is not forgiven):

2021	\$ -
2022	112,867
2023	<u>90,293</u>
	<u>\$203,160</u>

The Center for Arts Education, Inc.

Notes to Financial Statements June 30, 2020 and 2019

7. Net Assets with Donor Restrictions

CAE has received contributions that are subject to time restrictions and purpose restrictions that can be fulfilled by actions of CAE. There were no net assets with donor restrictions at June 30, 2020 and 2019.

Net assets with donor restrictions released from restrictions consisted of the following for the years ended June 30:

	2020	2019
Professional development	\$ -	\$ 8,501
School based residency	1,500	5,415
Administrative - Executive Search	-	18,000
Parents as arts partners	7,000	5,000
Career development	85,500	86,286
COVID-19 Relief	20,000	-
	<u>\$ 114,000</u>	<u>\$ 123,202</u>

8. Retirement Plan

CAE maintains a retirement plan in accordance with the provisions of Section 403(b) of the Internal Revenue Code. This plan is available to all eligible employees. CAE contributes 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 \$4,055 and \$11,409 to the retirement plan for the years ended June 30, 2020 and 2019. Such amounts are included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

9. Liquidity and Availability of Financial Assets

The following reflects CAE's financial assets as of June 30, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 255,385	\$ 177,331
Investments	475,013	634,320
Contributions and grants receivable	<u>358,577</u>	<u>272,523</u>
Total Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,088,975</u>	<u>\$ 1,084,174</u>

The Center for Arts Education, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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

As part of CAE's liquidity management strategy, CAE structures its financial assets to be available as general expenditures, liabilities and other obligations come due. CAE's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of grants and contributions from donors. A majority of general expenditures over the next twelve months are financed through cash and cash equivalents, investments, contributions and grants receivable and future grants and pledges.

10. Donated Services

The accompanying statements of activities include donated legal services of \$0 and \$262,389 classified as management and general for the years ended June 30, 2020 and 2019.

11. COVID-19

The COVID-19 pandemic closed New York City schools in March 2020 causing the postponement, truncation or cancellation of most of CAE's school-based programs. CAE was able to provide remote resources and some education programming during the spring, building new capacity and partnerships to pivot to remote and hybrid learning. However, the pandemic significantly decreased CAE's fiscal year 2020 programmatic and special event revenues, and was the primary driver of the organization's deficit in fiscal year 2020. CAE was able to rely on its sole member, Partnership with Children, for administrative support during this time. The full duration and extent of the COVID-19 pandemic, and its impact on CAE's operations in fiscal year 2021, are uncertain as of the date these 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, CAE's investments have incurred fluctuation in their fair value since June 30, 2020. Because the value of CAE'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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