Per Scholas, Inc.

Financial Statements,
Supplementary Information,
and Schedule of Expenditures of
Federal Awards
Year Ended December 31, 2020

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and Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Per Scholas, Inc.

Contents

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Independent Auditor's Report

The Board of Directors
Per Scholas, Inc.
Bronx, New York

Opinion

We have audited the financial statements of Per Scholas, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the results of its operations and its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other 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.

Responsibilities of Management 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 is statement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Summarized Comparative Information

We have previously audited the financial statements of Per Scholas, Inc. as of and for the year ended December 31, 2019, and our report, dated September 21, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 22 to 23 is presented for purposes of additional analysis by program and location. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

June 25, 2021

Per Scholas, Inc.

Statement of Financial Position
(with comparative totals for 2019)

December 31,	**2020**	2019
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 11,560,340**	$ 5,889,269
Investments (Notes 2 and 3)	**6,261,672**	1,613,050
Grants and contracts receivable (Notes 2 and 4)	**905,410**	3,986,364
Accounts receivable (Note 2)	**797,420**	144,351
Prepaid expenses and other assets	**418,976**	356,749
Total Current Assets	**19,943,818**	11,989,783
Fixed Assets, Net (Notes 2 and 5)	**3,796,422**	4,082,391
Total Assets	**$ 23,740,240**	$ 16,072,174
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 448,520**	$ 535,399
Accrued payroll and related expenses	**956,172**	646,159
Deferred revenue (Notes 2 and 10)	**7,398,178**	2,895,249
Deferred rent, current portion (Note 2)	**152,065**	57,995
Total Current Liabilities	**8,954,935**	4,134,802
Loans Payable (Note 6)	**2,574,350**	-
Deferred Rent, long-term portion (Note 2)	**418,037**	530,564
Total Liabilities	**11,947,322**	4,665,366
Commitments and Contingencies (Notes 6, 7, 9, 10, 11, 12, 13 and 14)		
Net Assets (Notes 2 and 8)		
Without donor restrictions	**10,573,418**	9,133,058
With donor restrictions	**1,219,500**	2,273,750
Total Net Assets	**11,792,918**	11,406,808
Total Liabilities and Net Assets	**$ 23,740,240**	$ 16,072,174

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Activities
(with comparative totals for 2019)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	**2020**	2019
Support and Operating Revenues				
Foundation and other contributions	$ 15,961,568	$ 4,496,808	**$ 20,458,376**	$ 15,906,716
Government and contract revenue	1,925,814	-	**1,925,814**	3,061,794
Social Ventures (Note 2)	2,599,726	-	**2,599,726**	4,875,470
Other income	208,211	-	**208,211**	164,554
Net assets released from restrictions (Note 8)	5,551,058	(5,551,058)	**-**	-
Total Support and Operating Revenues	26,246,377	(1,054,250)	**25,192,127**	24,008,534
Operating Expenses				
Program operations:				
New York, New York	5,262,590	-	5,262,590	5,126,344
Newark, New Jersey	1,320,892	-	1,320,892	1,323,390
Columbus, Ohio	1,145,753	-	1,145,753	982,244
Cincinnati, Ohio	674,421	-	674,421	605,146
Silver Spring, Maryland - National Capital Region (NCR)	1,644,619	-	1,644,619	1,971,820
Dallas, Texas	959,293	-	959,293	736,019
Atlanta, Georgia	1,134,365	-	1,134,365	936,491
Boston, Massachusetts	827,354	-	827,354	732,858
Baltimore, Maryland	447,217	-	447,217	-
Philadelphia, Pennsylvania	61,773	-	61,773	-
Detroit, Michigan	158,626	-	158,626	-
Customized training	6,417,593	-	6,417,593	-
Total Program Operations	20,054,496	-	20,054,496	17,845,702
Supporting operations:				
Fundraising	1,527,303	-	**1,527,303**	1,248,064
Administration	3,224,218	-	**3,224,218**	3,128,096
Total Supporting Operations	4,751,521	-	**4,751,521**	4,376,160
Total Operating Expenses	24,806,017	-	**24,806,017**	22,221,862
Change in Net Assets	1,440,360	(1,054,250)	**386,110**	1,786,672
Net Assets, beginning of year	9,133,058	2,273,750	**11,406,808**	9,620,136
Net Assets, end of year	$ 10,573,418	$ 1,219,500	**$ 11,792,918**	$ 11,406,808

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Functional Expenses
(with comparative totals for 2019)

Year ended December 31,

	Program Services													Supporting Services			Total	
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland - NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Baltimore, Maryland	Philadelphia, Pennsylvania	Detroit, Michigan	Customized Training	Total Program Services	Fundraising	Administration	Total Supporting Services	**2020**	2019
Salaries and Related Expenses																		
Salaries and wages	$ 2,964,436	$ 719,310	$ 662,787	$ 432,921	$ 963,325	$ 558,343	$ 685,576	$ 473,986	$ 182,115	$ 46,937	$ 115,131	$ 3,660,560	$ 11,465,427	$ 1,015,714	$ 1,888,761	$ 2,904,475	**$ 14,369,902**	$ 12,743,712
Fringe benefits	465,992	114,536	97,093	62,010	164,310	87,892	124,716	71,179	17,095	3,918	10,661	571,413	1,790,815	137,135	291,056	428,191	**2,219,006**	1,898,696
Total Salaries and Related Expenses	3,430,428	833,846	759,880	494,931	1,127,635	646,235	810,292	545,165	199,210	50,855	125,792	4,231,973	13,256,242	1,152,849	2,179,817	3,332,666	**16,588,908**	14,642,408
Other Expenses																		
Recruitment/advertising	23,362	2,180	6,230	843	13,165	22,444	863	13,961	723	299	938	95,622	180,630	681	8,453	9,134	**189,764**	201,364
Technology: data, website	97,103	35,712	34,577	20,412	35,935	26,003	50,559	42,859	26,004	3,826	6,604	134,084	513,678	42,172	152,860	195,032	**708,710**	519,021
Student supplies	251,853	22,509	62,715	21,069	84,291	35,933	68,445	21,941	29,577	1,784	4,719	102,990	707,826	-	226	226	**708,052**	269,305
Professional service	321,409	105,209	88,355	33,857	78,697	39,446	36,784	19,098	48,688	2,779	17,835	567,628	1,359,785	254,870	402,379	657,249	**2,017,034**	1,641,993
Professional service - legal	-	-	-	-	-	-	-	-	-	-	-	1,824	1,824	-	38,989	38,989	**40,813**	78,139
Professional service - accounting and audit	12,535	2,944	2,364	1,486	4,494	1,704	2,146	1,911	-	-	-	6,301	35,885	2,841	19,205	22,046	**57,931**	62,300
Professional payroll service	13,513	3,962	2,312	1,762	4,568	2,312	2,312	2,312	2,312	-	-	18,437	53,802	3,412	14,662	18,074	**71,876**	52,052
Rent	310,977	160,009	77,876	37,401	162,797	67,990	71,025	107,471	50,590	-	-	585,721	1,631,857	22,396	30,105	52,501	**1,684,358**	1,376,482
Utilities	39,637	11,296	-	-	-	-	-	315	8,981	-	-	23,968	84,197	2,841	4,261	7,102	**91,299**	107,472
Real-estate tax	31,044	-	-	-	-	3,510	-	-	-	-	-	49,071	83,625	2,300	3,451	5,751	**89,376**	89,724
Building operating and maintenance	43,631	20,773	10,589	5,011	13,157	8,392	11,268	8,285	10,269	276	345	35,590	167,586	67	3,343	3,410	**170,996**	167,135
Security services	21,357	5,987	1,411	871	871	871	871	7,537	4,502	-	-	5,491	49,769	694	6,277	6,971	**56,740**	43,623
Business insurance	101,341	13,276	13,076	13,076	19,614	13,076	13,076	13,076	13,076	-	100	78,458	291,245	13,076	28,003	41,079	**332,324**	271,878
Employee development and training	27,705	5,952	6,256	2,909	2,464	6,310	4,131	2,054	2,380	-	-	6,302	66,463	5,479	43,299	48,778	**115,241**	77,985
Job training - interns	-	-	-	-	7	-	-	-	-	-	-	-	7	-	13,075	13,075	**13,082**	6,697
Employment and drug verifications	39,815	2,588	7,459	3,536	6,770	2,906	4,800	2,108	3,176	190	-	8,009	81,357	220	473	693	**82,050**	94,204
Office supplies	22,482	6,119	5,353	6,241	10,141	11,512	4,390	11,207	17,428	1,722	265	20,994	117,854	3,669	17,775	21,444	**139,298**	187,256
Shipping and postage	4,425	2,004	1,069	259	527	1,085	1,181	632	290	38	21	1,987	13,518	473	14,945	15,418	**28,936**	32,608
Equipment lease	8,797	7,885	2,862	2,526	3,145	1,472	-	-	469	-	-	8,559	35,715	-	8,106	8,106	**43,821**	47,698
Graduation expense	699	424	150	30	618	531	-	-	1,039	-	18	2,834	6,343	-	-	-	**6,343**	18,840
Communications, telephone and internet	58,972	9,157	8,067	2,842	25,433	11,610	11,742	2,411	9,684	-	-	85,317	225,235	4,493	50,552	55,045	**280,280**	241,930
Finance charges other fees	1,228	3	383	52	-	105	9	8	-	-	2	1	1,791	-	21,632	21,632	**23,423**	8,639
Filing expenses	44,221	1,000	-	-	-	-	-	2,148	-	4	-	3,938	51,311	-	2,350	2,350	**53,661**	76,045
Membership fees	2,450	2,110	4,204	999	1,441	1,082	-	1,459	-	-	-	3,663	17,408	6,885	11,641	18,526	**35,934**	26,605
Conference registration fees	2,663	350	489	-	717	-	-	95	-	-	-	5	4,319	79	269	348	**4,667**	23,317
Travel and transportation	5,530	1,746	1,767	1,850	3,458	6,062	4,668	2,363	3,064	-	1,022	36,982	68,512	5,341	8,301	13,642	**82,154**	328,672
Hotel and meals	4,970	4,118	2,121	1,302	2,784	3,372	4,650	1,069	3,012	-	749	22,457	50,604	1,196	18,065	19,261	**69,865**	544,021
Miscellaneous	1,507	676	3,001	440	-	335	683	518	100	-	216	5,412	12,888	1,269	80,404	81,673	**94,561**	202,895
Depreciation and amortization	338,936	59,057	43,187	20,716	41,890	44,995	30,470	17,351	12,643	-	-	273,975	883,220	-	41,300	41,300	**924,520**	781,554
Total Expenses	$ 5,262,590	$ 1,320,892	$ 1,145,753	$ 674,421	$ 1,644,619	$ 959,293	$ 1,134,365	$ 827,354	$ 447,217	$ 61,773	$ 158,626	$ 6,417,593	$ 20,054,496	$ 1,527,303	$ 3,224,218	$ 4,751,521	**$ 24,806,017**	$ 22,221,862

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Cash Flows
(with comparative totals for 2019)

Year ended December 31,		**2020**		2019
Cash Flows from Operating Activities				
Change in net assets	**$**	**386,110**	$	1,786,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**924,520**		781,554
Unrealized gains on investments		**(18,812)**		(2,950)
Realized gains on investments		**-**		(6,929)
Decrease (increase) in assets:				
Grants and contracts receivable		**3,080,954**		469,120
Accounts receivable		**(653,069)**		180,487
Prepaid expenses and other assets		**(62,227)**		(131,821)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		**(86,879)**		(167,940)
Accrued payroll and related expenses		**310,013**		249,984
Deferred revenue		**4,502,929**		312,550
Deferred rent		**(18,457)**		57,994
Net Cash Provided by Operating Activities		**8,365,082**		3,528,721
Cash Flows from Investing Activities				
Purchases of investments		**(6,244,557)**		(1,610,261)
Proceeds from sale of investments		**1,614,747**		7,092
Purchases of fixed assets, net		**(638,551)**		(1,506,819)
Net Cash Used in Investing Activities		**(5,268,361)**		(3,109,988)
Cash Flows from Financing Activities				
Proceeds from Paycheck Protection Program loan		**2,574,350**		-
Net Cash Provided by Financing Activities		**2,574,350**		-
Net Increase in Cash and Cash Equivalents		**5,671,071**		418,733
Cash and Cash Equivalents, beginning of year		**5,889,269**		5,470,536
Cash and Cash Equivalents, end of year	**$**	**11,560,340**	$	5,889,269
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	**$**	**8,236**	$	-

See accompanying notes to financial statements.

1. Description of the Organization

Per Scholas, Inc. (the Organization) is a national nonprofit organization committed to providing free high-quality technology job training, job placement and career development services to individuals from overlooked communities. The asset recovery program partners with leading asset disposition vendors to offer a complete IT asset disposition solution for retired computer equipment to corporations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Net Assets Classification

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments, should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations. For the year ended December 31, 2020, the Organization has no permanent donor-restricted assets.

Without Donor Restrictions – This class consists of the part of net assets that are not restricted by donor-imposed stipulations.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair market value.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Grants and contracts receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the grants or contracts.

Provision for Allowance for Doubtful Accounts

The Organization reviews receivables as to their uncertainty in regard to collectability and, when needed, maintains an allowance for doubtful accounts.

An allowance for doubtful accounts was not needed in 2020, based on management's assessment of individual receivables from customers.

Fixed Assets and Depreciation

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize expenditures in excess of $5,000, which represents new purchases, or extend the life of existing fixed assets. The current estimated useful lives are as follows:

Asset category	Years
Furniture and fixtures	7
Computers, equipment and software	3–5

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including fixed assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2020, there have been no such losses.

Deferred Rent

The Organization records rent expenses for the long-term leases under a straight-line basis over the life of the lease, in accordance with accounting U.S. GAAP. Total deferred rent in the amount of $570,102, which relates to difference from cash payments for rent to straight-line expenses, is included in liabilities on the statement of financial position as of December 31, 2020.

Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment, considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by U.S GAAP as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 2 inputs include: (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical assets or liabilities traded in non-active markets (i.e., dealer or broker markets) and (iii) inputs other than quoted prices that are observable, or inputs derived from or corroborated by market data.

Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Investment Income

Investment income is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses, less direct external investment expenses. Dividends are recorded at the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Risks and Uncertainties

The Organization's investments consist of a variety of investment securities. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Organization's investments will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Contributions

All contributions are considered to be available without donor restrictions, 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. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization receives most of its revenues from contributions and government contracts. In addition, the Organization earns revenue from the recycling of end-of-life computer equipment.

Government grants and other contracts designated for use in specific activities are recognized as revenue in net assets without donor restrictions when expenditures have been incurred in compliance with the grantor's restrictions or when deliverable results specified in the grant have been achieved. Advances are received under certain grant agreements to assist the Organization with expenditures incurred in the first several months of the grant period. Cash received in excess of revenue recognized is recorded as deferred revenue.

Contributions are recorded as revenue when either unrestricted cash is received or when donors make a promise to give. Contributions and promises to give are classified as either with donor restrictions or without donor restrictions.

Social ventures revenues represent fees charged to the Organization's clients for asset recovery services and providing customized training.

Functional Allocation of Expenses

Common costs incurred for the administration to support the various functions of the various programs are allocated directly to respective programs as incurred. Depreciation of common shared space is based on predetermined square footage allocation rates established by management. Any expenses that can be specifically identified to a project or program are charged directly to that project and program. Payroll and related expenses are allocated based on time spent among the programs. Rent and utilities are allocated based on square footage of the programs occupied, and any other expenses that cannot be specifically identified are allocated using the ratio value method.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived.

Income Taxes

The Organization was incorporated in the Commonwealth of Massachusetts and is a charitable organization that is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2020.

The Organization follows the provisions of U.S. GAAP, which state that an organization must recognize the tax liability associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2020, there were no interest or penalties recorded or included in the statement of activities.

Recently Adopted Accounting Pronouncement

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU is required to be applied retrospectively to each prior-reporting period presented or with the cumulative effect being recognized at the date of initial application. The provisions of ASU 2014-09 became effective January 1, 2020 and the Organization applied Topic 606 retrospectively to each prior-reporting period presented for all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

3. Investments and Fair Value Measurements

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with U.S. GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy.

A description of the valuation techniques applied to the Organization's major categories of assets measured at fair value are as follows:

Mutual Funds

For the Organization's investments in mutual funds, the Organization has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in fixed-income and equity securities. Mutual funds are valued at the net asset value (NAV) of each share, which are actively traded on national securities exchanges and are classified as Level 1.

Fixed-Income - Bonds

Fixed-income - bonds securities are priced by the Organization's custodian using nationally recognized pricing services. Fixed-income - bonds securities generally do not trade on a daily basis. For these securities, the pricing services prepare estimates of fair value measurements using their proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

The following table shows, by level within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value as of December 31, 2020. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

December 31, 2020

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Certificates of Deposit	$ 6,061,604	$ -	$ -	$ 6,061,604
Fixed-income:				
Corporate and other bonds*	-	200,068	-	200,068
Total Investments	$ 6,061,604	$ 200,068	$ -	$ 6,261,672

* In accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the accompanying statement of financial position.

There were no transfers between levels during the year ended December 31, 2020.

4. Grants and Contracts Receivable

Grants and contracts receivable totaling $905,410 at December 31, 2020 represent commitments to the Organization, to be collected in 2021, for training and general operations.

5. Fixed Assets, Net

Fixed assets, net, consists of the following:

December 31, 2020		
Leasehold improvements	$	4,808,660
Furniture and fixtures		605,299
Computers, equipment and software		2,541,073
		7,955,032
Less: accumulated depreciation and amortization		4,158,610
Fixed Assets, Net	$	3,796,422

Depreciation expense for the year ended December 31, 2020 was $924,520.

6. Note Payable

On May 4, 2020, The Organization received $2,574,350 from the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) under the Small Business Administration (SBA) Paycheck Protection Program (PPP) and used it as in original intent defined by the CARES Act. See Note 14 on additional CARES Act information and Note 15 for updates to the PPP loan related to forgiveness.

The Organization has a secured line of credit with a financial institution for $3,000,000 with an interest rate of 3% per annum at December 31, 2020. As of December 31, 2020, there was no outstanding balance. The loan is secured by cash deposits.

7. 457(b) Plan

The Organization contributes to the qualified individuals account in the 457(b) plan after employees' first year of employment. Vesting contributions will start after the first year with 33%, and the vesting portion will continue to increase in equal monthly increments up to the completion of the third year.

8. Net Assets with Donor Restrictions

At December 31, 2020, net assets with donor restrictions in the amount of $1,219,500 are designated for the time restriction and purposes of training.

During the year ended December 31, 2020, net assets with donor restrictions were released from restrictions in the amount of $5,551,058 for training purposes.

9. Commitments and Contingencies

Commitments

The Organization leases office space under terms of various leases expiring through December 2028. The leases generally provide for annual base rentals, with certain escalation clauses. Minimum future lease payments are as follows:

Year ending December 31,		
2021	$	1,643,623
2022		1,315,550
2023		917,166
2024		845,860
2025		642,432
Thereafter		1,590,011
	$	6,954,642

Rent expense for the year ended December 31, 2020 was $1,684,358.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

10. Deferred Revenue

During 2020, the Organization received advances, which primarily consist of cash received on conditional grants that have not been expended at year-end, and thus have not met the revenue recognition criteria.

As of December 31, 2020, the total deferred revenue was $7,398,178.

11. Concentration of Credit Risk

The financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Organization has cash deposits at financial institutions that exceed the Federal Depository Insurance Corporation limit. These financial institutions have strong credit ratings and management believes that the credit risk-related to these accounts is minimal. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

12. Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Year ended December 31, 2020		
Total Current Assets	$	19,943,818
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other assets		418,976
With donor restrictions		1,361,875
Total Financial Assets Available to Management for General Expenditure Within One Year	$	18,162,967

Liquidity Management

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of $3 million, which it could draw upon.

Additionally, management strategy is to use a significant portion of the financial assets available (cash) to increase enrollment levels in cities currently being served and to expand into three new geographies in 2021.

13. Conditional Grants

The Organization has grant agreements with several donors that consist of providing conditional funding in future years, amounting to approximately $675,000 at December 31, 2020. A corresponding grant receivable has not been recorded on the statement of financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions on which they depend upon are substantially met. Until that point, any amounts received are recorded as refundable advances.

14. Risks and Uncertainties

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Organization’s operations are heavily dependent on grants from government and contributions from individuals and foundations. Additionally, funding from governmental sources may be subject to budget modifications depending on appropriations by the source. The Organization has incurred, and is expected to incur for the foreseeable future, incremental and other COVID-19 pandemic-related expenses.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on the Organization's financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. The development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the COVID-19 outbreak. Nevertheless, the COVID-19 outbreak presents material uncertainty and risk with respect to the Organization, its performance and its financial results.

The Organization cannot fully estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, given the great uncertainty as to the full magnitude of the impact that the pandemic may have on future economic and market conditions, the Organization is not able, at this moment, to estimate the effects of the COVID-19 outbreak on the fiscal year 2020 results of operations, financial condition or liquidity.

CARES Act

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the SBA PPP loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of the date of this report, the Organization received $2,574,350 from the Paycheck Protection Program (PPP) and used it as in original intent defined by the CARES Act. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account the current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the Organization. The receipt of these funds, and the forgiveness of the loan related to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. See Note 15 for updates to the PPP loan related to forgiveness. The Organization will continue to examine the impact that the CARES Act may have on its operations, financial conditions or liquidity. Funding received from the PPP is still subject to potential audit.

The Organization will continue to examine the impact that the CARES Act may have on its business. Currently, the Organization is unable to determine the impact that the CARES Act will have on its financial condition, results of operations or liquidity.

The Organization did not defer or delay any timely payment of payroll taxes during the period from March 1, 2020 through December 31, 2020.

On December 27, 2020, The President signed the Consolidated Appropriations Act, 2021 (the Act), which includes $900 billion in stimulus relief as a result of COVID-19. Per Scholas is currently evaluating the impact of the Act.

15. Subsequent Events

The Organization's management has performed subsequent events procedures through June 25, 2021, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as a result of these procedures, except for the following:

On March 10, 2021, the President signed the $1.9 trillion American Rescue Plan Act into law. The Organization is currently evaluating the impact of this new regulation.

On June 8, 2021, the SBA has authorized full forgiveness of the PPP loan in the amount of $2,574,350. As the forgiveness occurred after year end this will be reported as debt forgiveness in the December 31, 2021 financial statements.

Supplementary Information

Per Scholas, Inc.

Schedule of Changes in Net Assets by Program

Year ended December 31, 2020

	Program Services													Supporting Services			
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland-NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Baltimore, Maryland	Philadelphia, Pennsylvania	Detroit, Michigan	Customized Training	Total Program Services	Fundraising	Administration	Total Supporting Services	Total
Support and Operating Revenues																	
Foundation and other contributions	$ 4,987,594	$ 1,331,576	$ 784,450	$ 612,385	$ 780,739	$ 1,129,462	$ 1,193,958	$ 1,385,101	$ 542,610	$ 74,367	$ 313,415	$ 4,079,935	$ 17,215,592	$ -	$ 3,242,784	$ 3,242,784	$ 20,458,376
Government and contract revenue	810,762	-	73,000	81,596	594,086	-	237,301	71,873	39,696	-	17,500	-	1,925,814	-	-	-	1,925,814
Sales revenue	45,409	-	139,074	7,000	-	-	-	-	12,120	-	-	2,396,123	2,599,726	-	-	-	2,599,726
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	208,211	208,211	208,211
Net Operating Revenues from Operations	5,843,765	1,331,576	996,524	700,981	1,374,825	1,129,462	1,431,259	1,456,974	594,426	74,367	330,915	6,476,058	21,741,132	-	3,450,995	3,450,995	25,192,127
Expenses																	
Salaries and related expenses	3,430,428	833,846	759,880	494,931	1,127,635	646,235	810,292	545,165	199,210	50,855	125,792	4,231,973	13,256,242	1,152,849	2,179,817	3,332,666	16,588,908
Other expenses	1,832,162	487,046	385,873	179,490	516,984	313,058	324,073	282,189	248,007	10,918	32,834	2,185,620	6,798,254	374,454	1,044,401	1,418,855	8,217,109
Total Expenses	5,262,590	1,320,892	1,145,753	674,421	1,644,619	959,293	1,134,365	827,354	447,217	61,773	158,626	6,417,593	20,054,496	1,527,303	3,224,218	4,751,521	24,806,017
Change in Net Assets by Program	$ 581,175	$ 10,684	$ (149,229)	$ 26,560	$ (269,794)	$ 170,169	$ 296,894	$ 629,620	$ 147,209	$ 12,594	$ 172,289	$ 58,465	$ 1,686,636	$ (1,527,303)	$ 226,777	$ (1,300,526)	$ 386,110

Per Scholas, Inc.

Schedule of Analysis of Operations for Specific Locations

Year ended December 31, 2020

	Bronx, NY			Brooklyn, NY			Bronx and Brooklyn, New York
	All tuition revenues	BPSS Defined Exempt GTI	BPSS Reported GTI	All tuition revenues	BPSS Defined Exempt GTI	BPSS Reported GTI	As reported on the Schedule of Changes of Net Assets
Support and Operating Revenues							
Foundation and other contributions	$ 5,537,594	$ 950,000	$ 4,587,594	$ 400,000	$ -	$ 400,000	$ 4,987,594
Government and contract revenue	810,762	-	810,762	-	-	-	810,762
Sales revenue	1,032,720	987,311	45,409	-	-	-	45,409
Net Operating Revenues from Operations	7,381,076	1,937,311	5,443,765	400,000	-	400,000	5,843,765
Salaries and Related Expenses							
Salaries and wages	3,651,432	809,375	2,842,057	122,379	-	122,379	2,964,436
Fringe benefits	621,468	164,656	456,812	9,180	-	9,180	465,992
Total Salaries and Related Expenses	4,272,900	974,031	3,298,869	131,559	-	131,559	3,430,428
Other Expenses							
Recruitment and advertising	60,492	37,130	23,362	-	-	-	23,362
Technology – data and website	125,227	28,533	96,694	409	-	409	97,103
Student supplies	270,627	20,299	250,328	1,525	-	1,525	251,853
Professional services	723,983	406,893	317,090	4,319	-	4,319	321,409
Professional services - accounting and audit	13,649	1,114	12,535	-	-	-	12,535
Professional payroll services	17,778	4,265	13,513	-	-	-	13,513
Rent	343,368	134,010	209,358	101,619	-	101,619	310,977
Utilities	59,884	21,522	38,362	1,275	-	1,275	39,637
Real estate tax	76,008	44,964	31,044	-	-	-	31,044
Building operating and maintenance	54,566	17,328	37,238	6,393	-	6,393	43,631
Security services	21,621	1,135	20,486	871	-	871	21,357
Business insurance	114,417	13,076	101,341	-	-	-	101,341
Employee development and training	27,735	30	27,705	-	-	-	27,705
Employment and drug verifications	43,516	4,236	39,280	535	-	535	39,815
Office supplies	25,118	3,690	21,428	1,054	-	1,054	22,482
Shipping and postage	3,020	481	2,539	1,886	-	1,886	4,425
Equipment lease	9,726	4,794	4,932	3,865	-	3,865	8,797
Graduation expense	943	244	699	-	-	-	699
Communications, telephone and internet	105,136	48,648	56,488	2,484	-	2,484	58,972
Finance charges and other fees	1,228	-	1,228	-	-	-	1,228
Filing expenses	26,375	500	25,875	18,346	-	18,346	44,221
Membership fees	2,709	259	2,450	-	-	-	2,450
Conference registration fees	2,663	-	2,663	-	-	-	2,663
Travel and transportation	16,715	11,215	5,500	30	-	30	5,530
Hotel and meals	8,617	4,057	4,560	410	-	410	4,970
Miscellaneous	4,638	3,131	1,507	-	-	-	1,507
Total Other Expenses	2,159,759	811,554	1,348,205	145,021	-	145,021	1,493,226
Total Expenses	6,432,659	1,785,585	4,647,074	276,580	-	276,580	4,923,654
Net Income, before depreciation and amortization	948,417	151,726	796,691	123,420	-	123,420	920,111
Depreciation and Amortization	532,709	193,773	338,936	-	-	-	338,936
Change in Net Assets by Program	$ 415,708	$ (42,047)	$ 457,755	$ 123,420	$ -	$ 123,420	$ 581,175

Per Scholas, Inc.

Schedule of Expenditures of Federal Awards

December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
SNAP Cluster:				
Passed Through New York State Office of Temporary and Disability Assistance:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00245GG	$ -	$ 219,750
Passed Through Maryland State Department of Human Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N00P0602767	-	82,822
Passed Through State of Georgia Department of Human Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	42700-040-0000089023	-	96,415
Passed Through Hamilton County Department of Job & Family Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	130581	-	11,250
Total U.S. Department of Agriculture			-	410,237
U.S. Department of Housing and Urban Development				
Community Development Block Grants Entitlement Grants Cluster:				
Passed Through Montgomery County of Maryland Department of Housing and Community Affairs:				
Community Development Block Grants/ Entitlement Grants	14.218	1103021	-	44,701
Total U.S. Department of Housing and Urban Development			-	44,701
U.S. Department of Labor				
WIOA Cluster:				
Passed Through WorkSource Cobb/CobbWorks, Inc.:				
WIOA Adult Program	17.258/17.278	PS-062019/PS-062020	-	140,888
Passed Through Department of Youth and Community Development:				
WIOA Youth Activities	17.259	90541	-	87,891
Passed Through Catholic Charities of Baltimore:				
WIOA Youth Activities	17.259	CON -119259	-	4,300
Passed Through Detroit Employment Solutions Corporation:				
WIOA Adult Program	17.258	N/A	-	12,500
Subtotal WIA/WIOA - Cluster				245,579
Passed Through Jobs for the Future, Inc.:				
H-1B Job Training Grants	17.268	HG-29351-16-60-A-25	-	209,352
Total U.S. Department of Labor			-	454,931
U.S. Department of Health and Human Services				
Passed Through Research Foundation of CUNY:				
Child Support Enforcement	93.563	CM00001719-00	-	58,545
Medicaid Cluster:				
Passed Through Hamilton County Department of Job & Family Services:				
Information Technology Training for Prevention Retention and Contingency(PRC) Consumers	93.558	130606	-	4,500
Total U.S. Department of Health and Human Services			-	63,045
Total Expenditures of Federal Awards			$ -	$ 972,914

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Per Scholas, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Per Scholas, Inc.
Bronx, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Per Scholas, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 25, 2021

BDO

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Per Scholas, Inc.
Bronx, New York

Report on Compliance

Opinion on Compliance for Each Major Federal Program

We have audited Per Scholas, Inc.'s (the Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020.The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

June 25, 2021

Per Scholas, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes ☒ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.561	SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	☒ Yes ☐ No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.