

THE PARENT-CHILD HOME PROGRAM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

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SATTY, LEVINE & CIACCO, CPAs, P.C.

Certified Public Accountants & Business Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Parent-Child Home Program, Inc.

We have audited the accompanying financial statements of The Parent-Child Home Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 The Parent-Child Home Program, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Summarized Comparative Information

We have previously audited The Parent-Child Home Program, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
December 13, 2018

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 526,522	\$ 898,466
Marketable securities	2,981,887	1,632,548
Accounts receivable	51,775	82,734
Prepaid expenses	27,905	69,667
Furniture and office equipment, net of accumulated depreciation of \$71,692 and \$69,245, respectively	9,755	4,702
Web site development and database costs, net	282,856	160,944
Video creation costs, net	13,382	20,349
Security deposit	16,406	16,645
TOTAL ASSETS	\$ 3,910,488	\$ 2,886,055
LIABILITIES:		
Accrued expenses and other liabilities	\$ 444,112	\$ 35,069
Deferred revenue	40,000	30,000
TOTAL LIABILITIES	484,112	65,069
NET ASSETS:		
Unrestricted net assets	3,230,775	2,253,986
Temporarily restricted net assets	195,601	567,000
TOTAL NET ASSETS	3,426,376	2,820,986
TOTAL LIABILITIES AND NET ASSETS	\$ 3,910,488	\$ 2,886,055

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With summarized comparative totals for 2017)

	2018			2017
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
SUPPORT AND REVENUES:				
SUPPORT				
Grants - Foundations	\$ 2,364,860	\$ 195,601	\$ 2,560,461	\$2,768,616
Grants - Government	25,000	-	25,000	47,877
Donations - United way	8,467	-	8,467	8,671
Donations - Individuals	142,020	-	142,020	141,285
Donations - Corporations	5,595	-	5,595	8,343
Donations - Bequests	1,421,929	-	1,421,929	35,000
TOTAL SUPPORT	3,967,871	195,601	4,163,472	3,009,792
REVENUES				
Training fees	102,750	-	102,750	89,250
Replication and material fees	29,279	-	29,279	30,917
Conference fees	34,688	-	34,688	32,649
Special events, net of direct costs of \$154,111 and \$130,351, respectively	246,336	-	246,336	232,684
Investment and other income	128,584	-	128,584	105,851
TOTAL REVENUE	541,637	-	541,637	491,351
Net Assets Released From Restrictions	567,000	(567,000)	-	-
TOTAL SUPPORT AND REVENUE	5,076,508	(371,399)	4,705,109	3,501,143
EXPENSES:				
Program	3,762,907	-	3,762,907	2,444,061
General and administrative	297,661	-	297,661	301,489
Fundraising	39,151	-	39,151	32,023
TOTAL EXPENSES	4,099,719	-	4,099,719	2,777,573
CHANGE IN NET ASSETS	976,789	(371,399)	605,390	723,570
NET ASSETS - Beginning of year	2,253,986	567,000	2,820,986	2,097,416
NET ASSETS - End of year	\$ 3,230,775	\$ 195,601	\$ 3,426,376	\$2,820,986

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With summarized comparative totals for 2017)

	PROGRAM SERVICES				TOTAL PROGRAM SERVICES	SUPPORT SERVICES		TOTAL 2018	TOTAL 2017
	REPLICATION	TRAINING	OUTREACH	RESEARCH		GENERAL AND ADMINISTRATION	FUNDRAISING		
EXPENSES:									
Replication grants	\$ 1,935,912	\$ -	\$ -	\$ -	\$ 1,935,912	\$ -	\$ -	\$ 1,935,912	\$ 1,141,903
Salaries	348,007	71,624	523,992	128,470	1,072,093	115,004	27,185	1,214,282	1,077,025
Payroll taxes	26,994	5,547	40,058	10,543	83,142	9,946	2,080	95,168	78,916
Professional fees	35,918	-	354,215	26,601	416,734	43,526	-	460,260	134,924
Rent	12,998	2,268	15,063	3,785	34,114	51,173	-	85,287	112,660
Conference expenses	31,042	-	734	-	31,776	-	-	31,776	31,198
Video	23,261	-	-	-	23,261	-	-	23,261	-
Travel	4,499	-	13,706	5,522	23,727	-	18	23,745	20,342
Printing	-	-	2,117	-	2,117	-	1,132	3,249	2,523
Communications	-	50	-	-	50	-	-	50	-
Telephone and website fees	2,938	-	1,575	-	4,513	25,717	4,577	34,807	33,964
Postage and messenger	1,290	4	558	206	2,058	354	196	2,608	2,081
Supplies and office expenses	4,648	359	261	-	5,268	3,566	-	8,834	11,819
Technology project	-	-	-	3,506	3,506	-	-	3,506	2,033
Payroll processing expenses	-	-	-	-	-	3,922	-	3,922	2,987
Health insurance	10,777	2,218	16,227	3,979	33,201	3,562	842	37,605	33,385
Insurance	-	-	-	-	-	11,620	-	11,620	9,137
Depreciation and amortization	69,895	-	8,314	-	78,209	2,447	-	80,656	58,954
Training institute expenses	-	11,701	-	-	11,701	-	-	11,701	4,189
Events	-	-	84	-	84	-	3,121	3,205	3,803
Investment expense	-	-	-	-	-	16,634	-	16,634	10,537
Other	978	-	-	463	1,441	10,190	-	11,631	5,193
TOTAL EXPENSES	\$ 2,509,157	\$ 93,771	\$ 976,904	\$ 183,075	\$ 3,762,907	\$ 297,661	\$ 39,151	\$ 4,099,719	\$ 2,777,573

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 605,390	\$ 723,570
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	80,656	58,954
Realized and unrealized investment gains	(99,657)	(94,221)
Donated securities	(1,233,340)	(24,149)
Changes in assets and liabilities		
Accounts receivable	30,959	(17,491)
Prepaid expenses	41,762	(47,667)
Security deposits	239	(523)
Accrued expenses and other current liabilities	409,043	11,611
Deferred revenue	10,000	(337,239)
TOTAL ADJUSTMENTS	<u>(760,338)</u>	<u>(450,725)</u>
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	<u>(154,948)</u>	<u>272,845</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(249,891)	(285,071)
Proceeds from sale of marketable securities	233,549	59,624
Cash paid for software development costs	(193,154)	(93,233)
Acquisition of property and equipment	(7,500)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(216,996)</u>	<u>(318,680)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	.. (371,944)	(45,835)
CASH AND CASH EQUIVALENTS:		
Beginning of year	898,466	944,301
End of year	<u>\$ 526,522</u>	<u>\$ 898,466</u>

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. ORGANIZATION

The Parent-Child Home Program, Inc., (the “Organization”), was incorporated under Section 402 of the Not-For-Profit Corporation law of New York State in November 1978. The Organization is exempt from tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization provides an early childhood school readiness program for families challenged by poverty, low levels of education, language and literacy barriers, and other obstacles to educational success. The program provides intensive home visiting – twice a week for two years – to families with 2 and 3 year-old children. Home visitors model, for the parent and child together, reading and verbal interaction activities. The program bridges the achievement gap for these children, developing critical literacy and language skills and preparing children to enter school ready to learn. The Organization’s National Center was created to disseminate information, promote replication, provide training and technical assistance, and conduct research on the program nationally and internationally. Revenues are derived principally from training fees; support is derived primarily from grants from private foundations and public donations.

B. BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual method of accounting, in accordance with principles generally accepted in the United States. Contributions received and expenses incurred for future programs are deferred to the applicable year.

C. BASIS OF PRESENTATION

The accompanying financial statements reflect the accounts and activities of The Parent-Child Home Program, Inc. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board authoritative guidance on *Financial Statements of Not-for-Profit Organizations*. Under this guidance, The Parent-Child Home Program, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no interest or income taxes paid during the year ended June 30, 2018.

B. INVESTMENTS

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

See independent auditors’ report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ACCOUNTS RECEIVABLE AND ALLOWANCES

Accounts receivable are stated at the amount the Organization expects to collect.

The Organization uses the allowance method to determine uncollectible promises to give and other receivables. The allowance is based on prior years' experience and management's analysis. As of June 30, 2018, no allowance for uncollectible receivables was considered necessary.

D. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost. Costs in excess of \$500 and the value of donated property and equipment are capitalized at fair market value. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of furniture and office equipment is 5-7 years. Depreciation expense was \$2,447 and \$2,136 for the years ended June 30, 2018 and June 30, 2017, respectively.

E. INTANGIBLE ASSETS

Website development and video creation costs are stated at cost less accumulated amortization. Amortization is computed on the straight-line basis over the estimated useful lives of the assets acquired, which range from 5-7 years. Amortization expense was \$78,209 and \$56,818 for the years ended June 30, 2018 and June 30, 2017, respectively

F. CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All restricted contributions where the restrictions are met in the same period as received are reported as unrestricted contributions.

G. REVENUE

The majority of the Organization's total revenues is received in the form of grant awards from various foundations and governmental agencies.

H. FUNCTIONAL EXPENSE ALLOCATION

Costs incurred in providing the various program and support services are summarized on a functional basis in the statement of activities. Accordingly, these costs have been allocated among the program and supporting services benefited.

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of quoted market prices in active markets or quoted prices for similar assets in active markets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Organization. There have been no changes in methodologies used at June 30, 2018 from the prior year.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year-end.

K. INCOME TAXES

The Parent-Child Home Program, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. As a not-for-profit organization, the Organization is also exempt from New York State income taxes. The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. At June 30, 2018, the Organization did not have any unrecognized tax benefits or liabilities. Contributions to it are tax deductible within the limitations prescribed by the code. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for 3 years after they were filed.

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. PRIOR YEAR INFORMATION

The statements of financial position, activities, functional expenses, and cash flows include certain prior year summarized comparative information in total but not by category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3. 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 FASB ASC 820, *Fair Value Measurements and Disclosures*. The following table presents information and the Organization’s assets and liabilities measured at fair value as of June 30, 2018 and 2017.

<u>June 30, 2018</u>	<u>Level 1</u>	<u>Total</u>
Assets		
Mutual Funds		
Bonds	\$ 1,224,585	\$ 1,224,585
Equities	1,083,735	1,083,735
Exchange Traded Funds	598,003	598,003
Preferred Stock	75,564	75,564
	<u>\$ 2,981,887</u>	<u>\$ 2,981,887</u>
<u>June 30, 2017</u>	<u>Level 1</u>	<u>Total</u>
Assets		
Mutual Funds		
Bonds	\$ 831,647	\$ 831,647
Equities	160,456	160,456
Managed Futures	21,534	21,534
Exchange Traded Funds	541,538	541,538
Preferred Stock	77,373	77,373
	<u>\$ 1,632,548</u>	<u>\$ 1,288,731</u>

Preferred stock and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (“NAV”) of shares held by the plan at year end.

See independent auditors’ report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 4. INTANGIBLE ASSETS

A summary of the Organization's intangible assets with finite lives is presented below:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>
Website development costs			
Public	\$ 28,090	\$ 25,396	\$ 2,694
Non-Public	26,820	18,436	8,384
Database	706,612	434,834	271,778
Video Creation costs	91,589	78,207	13,382
	<u>\$ 853,111</u>	<u>\$ 556,873</u>	<u>\$ 296,238</u>

Intangibles amortization expense was \$78,209 and \$56,818 for the years ended June 30, 2018 and June 30, 2017, respectively. Estimated future amortization expense for intangible assets is as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ 90,256
2020	73,006
2021	59,981
2022	50,658
2023	22,337
	<u>\$ 296,238</u>

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Site Implementation Grant 2018-2019	\$ 100,976	\$ -
Site Implementation Grant 2017-2018	-	395,000
Research - William Penn	15,975	-
Expansion - MASA	18,650	-
Operations - Fiscal Year 2018-2019	60,000	-
Operations - Fiscal Year 2017-2018	-	172,000
	<u>\$ 195,601</u>	<u>\$ 567,000</u>

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2018</u>
Site Implementation Grant 2017-2018	\$ 395,000
Operations - Fiscal Year 2017-2018	172,000
	<u>\$ 567,000</u>

NOTE 6. RETIREMENT PLAN

The Organization adopted a 403(B) retirement plan on December 1, 2001, which covers all eligible employees. The employees have the option of contributing a percentage of their earnings up to a specified maximum and the Organization may contribute discretionary matching contributions to the plan. Organization contributed \$18,591 and \$14,139 to the plan for the year ended June 30, 2018 and 2017, respectively.

NOTE 7. COMMITMENTS

The Organization rents office space under a five year lease agreement in September 2017 expiring in November 2022 for a location in Mineola, New York. Rent expense for the year ended June 30, 2018 and 2017 was approximately \$85,287 and \$112,660. Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ 87,975
2020	90,614
2021	93,333
2022	96,133
2023	57,355
	<u>\$ 425,410</u>

NOTE 8. CONCENTRATION OF CREDIT RISK

The Organization maintains all of its cash and cash equivalents in high quality financial institutions. Accounts at the institutions are insured by the Federal Depositary Insurance Corporation ("FDIC"). The FDIC insured limits for the year ended June 30, 2018 was \$250,000. At times, cash balances may exceed the insured limits. The Organization does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents. The Organization does not have a material concentration of credit risk, with respect to accounts receivable, due to its generally short payment terms.

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

NOTE 9. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred through December 13, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

See independent auditors' report.