

THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2007

THE PARENT-CHILD HOME PROGRAM, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007

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Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Parent-Child Home Program, Inc. (a non-profit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Parent-Child Home Program, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Parent-Child Home Program, Inc.'s 2006 financial statements and, in our report dated September 28, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



CERTIFIED PUBLIC ACCOUNTANTS

October 9, 2007

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

(With comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,196,909	\$ 1,109,124
Prepaid expenses	3,434	3,434
Accounts receivable	<u>30,596</u>	<u>30,650</u>
	1,230,939	1,143,208
Office equipment - net of accumulated depreciation of \$27,712 and \$24,804 respectively	5,027	7,935
Web site development costs - net of accumulated depreciation of \$38,932 and \$37,350 respectively	14,234	-
Video creation costs - net of accumulated amortization of \$38,190 and \$35,644 respectively	4,622	7,168
Security deposit	<u>5,630</u>	<u>5,630</u>
	<u>\$ 1,260,452</u>	<u>\$ 1,163,941</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	28,925	\$ 19,331
Deferred grants-operations	<u>53,730</u>	<u>32,814</u>
	<u>82,655</u>	<u>52,145</u>
Net Assets		
Net assets - unrestricted	1,177,797	1,111,796
Net assets - temporarily restricted	<u>-</u>	<u>-</u>
	<u>1,177,797</u>	<u>1,111,796</u>
	<u>\$ 1,260,452</u>	<u>\$ 1,163,941</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

(With comparative totals for 2006)

	Unrestricted	Temporarily Restricted	Total 2007	Total 2006
SUPPORT AND REVENUES				
SUPPORT				
Grants - Foundations	\$ 586,946	\$ -	\$ 586,946	\$ 401,307
Donation-Bequest	-	-	-	50,000
Donations-United Way	32,131	-	32,131	32,073
Donations-Individuals	51,691	-	51,691	29,264
Donations-Corporations	7,400	-	7,400	20,429
Net assets released from restrictions	-	-	-	-
Total Support	<u>678,168</u>	<u>-</u>	<u>678,168</u>	<u>533,073</u>
REVENUES				
Training fees	130,811	-	130,811	180,600
Replication and materials fees	42,354	-	42,354	28,681
Conference fees	65,640	-	65,640	56,655
Fundraising events	89,713	-	89,713	75,385
Interest income	55,041	-	55,041	36,518
Total Revenues	<u>383,559</u>	<u>-</u>	<u>383,559</u>	<u>377,839</u>
Total Support and Revenues	<u>1,061,727</u>	<u>-</u>	<u>1,061,727</u>	<u>910,912</u>
COSTS AND EXPENSES				
Program	841,769	-	841,769	738,364
General and Administrative	147,566	-	147,566	129,792
Fundraising	6,391	-	6,391	1,763
Total Expenses	<u>995,726</u>	<u>-</u>	<u>995,726</u>	<u>869,919</u>
CHANGE IN NET ASSETS	66,001	-	66,001	40,993
NET ASSETS - BEGINNING	<u>1,111,796</u>	<u>-</u>	<u>1,111,796</u>	<u>1,070,803</u>
NET ASSETS - END	<u>\$ 1,177,797</u>	<u>\$ -</u>	<u>\$ 1,177,797</u>	<u>\$ 1,111,796</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2007

(With comparative totals for 2006)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2007	Total 2006
Replication grants	\$ 237,987	\$ -	\$ -	\$ -	\$ 237,987	\$ -	\$ -	\$ 237,987	\$ 117,740
Salaries and pension	146,302	86,786	146,612	14,419	394,119	44,449	-	438,568	395,933
Payroll taxes	11,175	6,645	11,141	1,103	30,064	4,050	-	34,114	31,408
Professional fees	-	-	48,177	15,411	63,588	9,051	-	72,639	145,965
Rent	-	-	-	-	-	40,106	-	40,106	38,779
Conference expenses	45,283	-	2,330	-	47,613	-	-	47,613	43,237
Recruiting expenses	-	-	-	-	-	21,150	-	21,150	-
Travel	1,506	2,361	11,428	558	15,853	117	81	16,051	19,003
Printing	182	85	14,360	-	14,627	40	530	15,197	11,833
Communications	-	-	415	-	415	-	-	415	528
Scholarship awards	410	-	-	-	410	-	-	410	2,077
Telephone and website fees	-	-	-	-	-	-	-	-	-
Postage and messenger	1,317	-	3,918	-	3,918	5,745	-	9,663	12,095
Supplies and office expense	13,763	61	4,736	90	6,204	256	503	6,963	6,076
Equipment rental and repairs	-	142	686	9,286	23,877	2,627	-	26,504	14,336
Insurance	-	-	-	-	-	3,602	-	3,602	3,570
Depreciation and amortization	-	-	-	-	-	6,431	-	6,431	7,460
Training institute expense	-	2,810	-	-	2,810	7,036	-	7,036	12,787
Events	-	-	-	-	-	-	-	2,810	-
Other	284	-	-	-	284	-	5,277	5,277	-
Total Expenses	\$ 458,209	\$ 98,890	\$ 243,803	\$ 40,867	\$ 841,769	\$ 147,566	\$ 6,391	\$ 995,726	\$ 869,919

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2007

(With comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$ 66,001	\$ 40,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,036	12,787
(Increase) decrease in assets:		
Grant receivable	-	-
Prepaid expenses	-	(164)
Accounts receivable	54	8,087
Increase (decrease) in liabilities:		
Accrued expenses and other current liabilities	(4,341)	(5,042)
Deferred grants-operations	20,916	(14,686)
Grants payable	13,935	-
Total adjustments	<u>37,600</u>	<u>982</u>
<i>Net cash provided by operating activities</i>	<u>103,601</u>	<u>41,975</u>
<i>Cash flows from investing activities</i>		
Cash paid for web site development costs	(15,816)	-
Acquisition of property and equipment	-	(6,209)
<i>Net cash used in investing activities</i>	<u>(15,816)</u>	<u>(6,209)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	87,785	35,766
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,109,124</u>	<u>1,073,358</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 1,196,909</u>	<u>\$ 1,109,124</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. 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 Parent-Child Home Program is a proven early childhood 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 Parent-Child Home Program'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

The classification of an 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 three classes of net assets – permanently restricted (none exists) temporarily restricted and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes be displayed in a statement of activities. The Organization's financial statements consist of temporarily restricted and unrestricted net assets, defined as follows:

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Temporarily Restricted – 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 temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities and changes in net assets.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed restrictions.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation 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 restrictions.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets acquired and donated, which range from 5 to 15 years.

Intangible assets

Web site 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 to 7 years.

Support and revenues

Support, revenues and expenditures are recorded on an accrual basis, thereby recognizing support and revenues when earned and expenses when incurred. Donated services, materials or equipment if any are recorded at their fair market value at the time of the donations. Revenue received for future periods and programs are deferred to the applicable year.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There was no interest or taxes paid for the years ended June 30, 2007 and 2006.

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2006, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. 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. The pension expense incurred for 2007 was \$6,868.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

4. COMMITMENTS

The Organization has entered into a five year lease subsequent to year-end for an office in Garden City, New York that expires August 31, 2012. Rent expense for the year ended June 30, 2007 was approximately \$40,000. The original lease expired February 14, 2007 and was continued on a month to month basis. The lease provides for the following future minimum lease payments.

Year ended June 30,	<u>Amount</u>
2008	\$ 70,900
2009	87,500
2010	90,600
2011	93,800
2012	<u>97,100</u>
	<u>\$ 439,900</u>

5. RESTRICTED NET ASSETS

As of July 1, 2006, the balance of a board-imposed restriction on net asset was approximately \$132,000 for a program development fund to expand and enhance program services throughout the United States. During the year approximately \$29,000 was utilized reducing the fund balance to approximately \$103,000. Accordingly, \$29,000 of expenses incurred for program development is included in costs and expenses for the year ended June 30, 2007.

6. CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at three institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at these institutions exceeded federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality institutions. The Organization does not believe that it is exposed to significant credit risk in connection with cash and cash and cash equivalents. The amounts in excess of the FDIC limit totaled approximately \$650,000. The Organization does not have a material concentration of credit risk, with respect to accounts receivable, due to its generally short payment terms.