

THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2008

THE PARENT-CHILD HOME PROGRAM, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

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Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 2008, 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 2007 financial statements and, in our report dated August 21, 2007, 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, 2008, 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 21, 2008

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,259,994	\$ 1,196,909
Prepaid expenses	8,501	3,434
Accounts receivable	41,099	30,596
	<u>1,309,594</u>	<u>1,230,939</u>
Office equipment - net of accumulated depreciation of \$30,338 and \$27,712 respectively	25,286	5,027
Web site development costs - net of accumulated depreciation of \$42,095 and \$38,932 respectively	11,071	14,234
Video creation costs - net of accumulated amortization of \$40,019 and \$38,190 respectively	2,793	4,622
Security deposit	14,146	5,630
	<u>\$ 1,362,890</u>	<u>\$ 1,260,452</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	45,278	\$ 28,925
Deferred grants-operations	61,000	53,730
	<u>106,278</u>	<u>82,655</u>
Net Assets		
Net assets - unrestricted	<u>1,256,612</u>	<u>1,177,797</u>
	<u>\$ 1,362,890</u>	<u>\$ 1,260,452</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(With comparative totals for 2007)

	Unrestricted	Temporarily Restricted	Total 2008	Total 2007
SUPPORT AND REVENUES				
SUPPORT				
Grants - Foundations	\$ 695,860	\$ -	\$ 695,860	\$ 586,946
Donations-United Way	38,697	-	38,697	32,131
Donations-Individuals	76,805	-	76,805	51,691
Donations-Corporations	47,750	-	47,750	7,400
Net assets released from restrictions	-	-	-	-
Total Support	859,112	-	859,112	678,168
REVENUES				
Training fees	101,500	-	101,500	130,811
Replication and materials fees	55,748	-	55,748	42,354
Conference fees	58,970	-	58,970	65,640
Fundraising events	110,724	-	110,724	89,713
Interest income	46,316	-	46,316	55,041
Total Revenues	373,258	-	373,258	383,559
Total Support and Revenues	1,232,370	-	1,232,370	1,061,727
COSTS AND EXPENSES				
Program	968,343	-	968,343	841,769
General and Administrative	177,047	-	177,047	147,566
Fundraising	8,165	-	8,165	6,391
Total Expenses	1,153,555	-	1,153,555	995,726
CHANGE IN NET ASSETS	78,815	-	78,815	66,001
NET ASSETS - BEGINNING	1,177,797	-	1,177,797	1,111,796
NET ASSETS - END	\$ 1,256,612	\$ -	\$ 1,256,612	\$ 1,177,797

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008

(With comparative totals for 2007)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2008	Total 2007
Replication grants	\$ 204,163	\$ -	\$ -	\$ -	\$ 204,163	\$ -	\$ -	\$ 204,163	\$ 237,987
Salaries and pension	180,932	57,961	251,660	45,407	535,960	37,583	-	573,543	438,568
Payroll taxes	11,175	6,645	11,141	1,103	30,064	2,841	-	32,905	34,114
Professional fees	12,540	-	34,387	6,150	53,077	8,865	-	61,942	72,639
Rent	-	-	-	-	-	86,165	-	86,165	40,106
Conference expenses	37,992	-	3,305	-	41,297	-	-	41,297	47,613
Recruiting expenses	-	-	-	-	-	210	-	210	21,150
Travel	11,361	2,125	17,591	2,290	33,367	179	335	33,881	16,051
Printing	311	-	14,107	1,090	15,508	-	219	15,727	15,197
Communications	-	-	746	-	746	-	-	746	415
Scholarship awards	-	-	-	-	-	-	-	-	410
Telephone and website fees	19,773	-	293	-	20,066	5,910	784	26,760	9,663
Postage and messenger	1,481	36	2,373	839	4,729	548	955	6,232	6,963
Supplies and office expense	9,909	160	551	12,957	23,577	8,429	127	32,133	26,504
Equipment rental and repairs	-	-	-	-	-	561	-	561	3,602
Insurance	-	-	-	-	-	11,954	-	11,954	6,431
Depreciation and amortization	-	-	-	-	-	7,618	-	7,618	7,036
Training institute expense	-	4,003	-	-	4,003	-	-	4,003	2,810
Events	-	-	1,250	-	1,250	-	5,745	6,995	5,277
Other	173	-	363	-	536	6,184	-	6,720	3,190
Total Expenses	\$ 489,810	\$ 70,930	\$ 337,767	\$ 69,836	\$ 968,343	\$ 177,047	\$ 8,165	\$ 1,153,555	\$ 995,726

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$ 78,815	\$ 66,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,618	7,036
(Increase) decrease in assets:		
Accounts receivable	(10,503)	54
Prepaid expenses	(5,067)	-
Security deposit	(8,516)	-
Increase (decrease) in liabilities:		
Accrued expenses and other current liabilities	16,353	9,594
Deferred grants-operations	7,270	20,916
Total adjustments	<u>7,155</u>	<u>37,600</u>
<i>Net cash provided by operating activities</i>	<u>85,970</u>	<u>103,601</u>
<i>Cash flows from investing activities</i>		
Cash paid for web site development costs	-	(15,816)
Acquisition of property and equipment	(22,885)	-
<i>Net cash used in investing activities</i>	<u>(22,885)</u>	<u>(15,816)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,085	87,785
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,196,909</u>	<u>1,109,124</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 1,259,994</u>	<u>\$ 1,196,909</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008

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, 2008

Cash Equivalents

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 year ended June 30, 2008.

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, 2007, 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 2008 was \$7,854.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

4. COMMITMENTS

The Organization rents office space under a five year lease in Garden City, New York that expires August 31, 2012 with an option to extend the lease for an additional five years. Rent expense for the year ended June 30, 2008 was approximately \$91,000. Future minimum lease payments are as follows:

Year ended June 30,	<u>Amount</u>
2009	\$ 87,500
2010	90,600
2011	93,800
2012	97,100
2013	<u>16,300</u>
	<u>\$ 385,300</u>

5. RESTRICTED NET ASSETS

As of July 1, 2007, the balance of a board-imposed restriction on net asset was approximately \$103,000 for a program development fund to expand and enhance program services throughout the United States. During the year the Organization did not make any expenditures and the restriction on net assets remained at approximately \$103,000.

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 \$250,000. Cash at these institutions may at times exceed federally insured limits. Money market funds totaling approximately \$873,000 at June 30, 2008 included in cash and cash equivalents may be considered partially insured under recently issued government regulations. 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 equivalents. The Organization does not have a material concentration of credit risk, with respect to accounts receivable, due to its generally short payment terms.