

THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2010

THE PARENT-CHILD HOME PROGRAM, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

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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, 2010, 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 2009 financial statements and, in our report dated October 23, 2009, 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, 2010, 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 18, 2010

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 876,826	\$ 1,121,594
Prepaid expenses	9,338	9,338
Accounts receivable	6,051	21,887
	<u>892,215</u>	<u>1,152,819</u>
Office equipment - net of accumulated depreciation of \$39,556 and \$34,703 respectively	16,867	20,921
Web site development costs - net of accumulated depreciation of \$65,192 and \$46,477 respectively	149,949	18,881
Video creation costs - net of accumulated amortization of \$42,253 and \$41,136 respectively	559	1,676
Security deposit	15,450	14,642
	<u>\$ 1,075,040</u>	<u>\$ 1,208,939</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	\$ 38,291	\$ 39,643
Deferred grants-operations	77,472	145,000
	<u>115,763</u>	<u>184,643</u>
Net Assets		
Net assets - temporarily restricted	37,072	-
Net assets - unrestricted	922,205	1,024,296
	<u>959,277</u>	<u>1,024,296</u>
	<u>\$ 1,075,040</u>	<u>\$ 1,208,939</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(With comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
SUPPORT AND REVENUES				
SUPPORT				
Grants - Foundations	\$ 730,183	\$ 37,072	\$ 767,255	\$ 745,477
Donations-United Way	15,487	-	15,487	30,146
Donations-Individuals	93,133	-	93,133	77,871
Donations-Corporations	6,943	-	6,943	16,975
Net assets released from restrictions	-	-	-	-
Total Support	<u>845,746</u>	<u>37,072</u>	<u>882,818</u>	<u>870,469</u>
REVENUES				
Training fees	94,625	-	94,625	103,150
Replication and materials fees	33,254	-	33,254	39,643
Conference fees	27,309	-	27,309	30,943
Fundraising events	113,499	-	113,499	137,100
Interest income	4,249	-	4,249	18,983
Total Revenues	<u>272,936</u>	<u>-</u>	<u>272,936</u>	<u>329,819</u>
Total Support and Revenues	<u>1,118,682</u>	<u>37,072</u>	<u>1,155,754</u>	<u>1,200,288</u>
COSTS AND EXPENSES				
Program	1,027,645	-	1,027,645	1,234,453
General and Administrative	191,568	-	191,568	193,739
Fundraising	1,560	-	1,560	4,412
Total Expenses	<u>1,220,773</u>	<u>-</u>	<u>1,220,773</u>	<u>1,432,604</u>
CHANGE IN NET ASSETS	(102,091)	37,072	(65,019)	(232,316)
NET ASSETS - BEGINNING	<u>1,024,296</u>	<u>-</u>	<u>1,024,296</u>	<u>1,256,612</u>
NET ASSETS - END	<u>\$ 922,205</u>	<u>\$ 37,072</u>	<u>\$ 959,277</u>	<u>\$ 1,024,296</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

(With comparative totals for 2009)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2010	Total 2009
Replication grants	\$ 221,136	-	-	-	\$ 221,136	\$ -	\$ -	\$ 221,136	\$ 350,666
Salaries and pension	185,793	56,487	243,404	69,086	554,770	37,472	-	592,242	696,953
Payroll taxes	17,409	4,561	23,560	5,854	51,384	3,165	-	54,549	53,259
Professional fees	20,218	681	89,297	0	110,196	10,081	-	120,277	93,518
Rent	-	-	-	-	0	104,105	-	104,105	97,038
Conference expenses	24,104	-	1,696	-	25,800	-	-	25,800	28,804
Travel	1,416	753	9,341	364	11,874	75	113	12,062	13,228
Printing	479	190	7,305	0	7,974	-	-	7,974	15,725
Communications	90	-	500	-	590	-	-	590	835
Telephone and website fees	4,510	-	8,969	-	13,479	7,848	881	22,208	16,445
Postage and messenger	721	62	1,340	68	2,191	157	271	2,619	6,277
Supplies and office expense	2,704	432	288	244	3,668	842	-	4,510	16,306
Health insurance	-	-	-	-	0	12,869	-	12,869	15,222
Insurance	-	-	-	-	0	5,377	-	5,377	5,726
Depreciation and amortization	18,715	-	-	-	18,715	5,970	-	24,685	9,864
Training institute expense	-	5,655	-	-	5,655	-	-	5,655	4,344
Events	-	-	-	-	0	-	-	-	3,948
Other	34	-	179	-	213	3,607	295	4,115	4,446
Total Expenses	\$ 497,329	\$ 68,821	\$ 385,879	\$ 75,616	\$ 1,027,645	\$ 191,568	\$ 1,560	\$ 1,220,773	\$ 1,432,604

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$ (65,019)	\$ (232,316)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,970	9,864
(Increase) decrease in assets:		
Accounts receivable	15,836	19,212
Prepaid expenses	-	(837)
Security deposit	(808)	(496)
Increase (decrease) in liabilities:		
Accrued expenses and other current liabilities	(1,352)	(5,635)
Deferred grants-operations	(67,528)	84,000
Total adjustments	<u>(47,882)</u>	<u>106,108</u>
<i>Net cash used in operating activities</i>	<u>(112,901)</u>	<u>(126,208)</u>
<i>Cash flows from investing activities</i>		
Cash paid for web site development costs	(149,783)	(12,192)
Acquisition of property and equipment	(799)	-
<i>Net cash used in investing activities</i>	<u>(150,582)</u>	<u>(12,192)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(263,483)	(138,400)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,121,594</u>	<u>1,259,994</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 858,111</u>	<u>\$ 1,121,594</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, and these financial statements are referenced accordingly.

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.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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:

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. A contribution with a restriction is reported as unrestricted if the restriction is met in the same reporting period as the receipt of the contribution.

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 7 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.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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.

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, 2010.

Compensated absences

The Organization has not made any provision for compensated absences as the amount is deemed immaterial.

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.

Income Taxes

The Organization qualifies as a tax-exempt organization within the meaning of Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit organization, the Organization is also exempt from New York State and New York City sales and income taxes. In accordance with ASC 740, *Income Taxes*, the Organization is required to disclose unrecognized tax benefits resulting from uncertain tax positions. At June 30, 2010, the Organization did not have any unrecognized tax benefits or liabilities. The Organization operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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, 2009, from which the summarized information was derived.

Functional Allocation of Expenses

FASB ASC 958-720-45-2 (formerly SFAS No. 117) requires all nonprofit organizations to provide information about expenses reported by their functional classification. This is the classification of expenses according to the purpose for which they are incurred.

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. 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. The following table presents information and the Organization's assets and liabilities measured at fair value as of June 30, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level1)	<u>Total</u>
Assets		
Cash equivalent	<u>\$427,073</u>	<u>\$427,073</u>

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liabilities, either directly or indirectly.

Level 3 – are unobservable inputs for the asset or liabilities and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the market place, and other characteristic particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonable determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Organization uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

4. 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. No contributions were made by the Organization for 2010.

5. 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, 2010 was approximately \$104,000. Future minimum lease payments are as follows:

Year ended June 30,	<u>Amount</u>
2011	\$93,800
2012	97,100
2013	<u>16,300</u>
	<u>\$ 207,200</u>

6. 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. As of June 30, 2010, the Organization has spent this amount to update its management system.

Temporarily restricted net assets balance as of June 30, 2010 of approximately \$37,000 is due to a grant received during the year. The Organization is required to utilize the amount to enhance and update its database software.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS *JUNE 30, 2010*

7. 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 and savings account balances totaling approximately \$343,000 at June 30, 2010 included in cash and cash equivalents may be considered uninsured 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.

8. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the Company has reviewed events that have occurred after June 30, 2010, through the date of issuance of these financial statements on October 18, 2010. During this period, the Company did not have any material subsequent events that are required to be disclosed in the financial statements.