

**THE PARENT-CHILD HOME PROGRAM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Certified Public Accountants & Business Advisors

Since 1949...People...Relationships...Results.

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, 2016, 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, 2016, 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

The summarized comparative information presented herein as of and for the year ended June 30, 2015, was derived from the Organization's 2015 audited financial statements. Lilling & Company had issued an unmodified audit opinion on those financial statements in a report dated October 26, 2015, of which the comparative information was derived. Accordingly we express no opinion on the summarized comparative information.

Satty, Levine + Ciacco, CPAs, P.C.

Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
October 25, 2016

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016
(With comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 944,301	\$ 840,420
Marketable securities	1,288,731	1,276,460
Prepaid expenses	22,000	45,875
Accounts receivable	65,243	19,355
Furniture and office equipment, net of accumulated depreciation of \$67,109	6,838	3,793
Web site development costs, net	117,561	168,944
Video creation costs, net	27,317	24,096
Security deposit	16,122	15,615
TOTAL ASSETS	<u>\$ 2,488,113</u>	<u>\$ 2,394,558</u>
LIABILITIES:		
Accrued expenses and other liabilities	\$ 23,458	\$ 104,015
Deferred grants - operations	367,239	269,775
TOTAL LIABILITIES	<u>390,697</u>	<u>373,790</u>
NET ASSETS:		
Unrestricted net assets	<u>2,097,416</u>	<u>2,020,768</u>
TOTAL NET ASSETS	<u>2,097,416</u>	<u>2,020,768</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,488,113</u>	<u>\$ 2,394,558</u>

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for 2015)

	TOTAL 2016	TOTAL 2015
SUPPORT AND REVENUES		
SUPPORT		
Grants - Foundations	\$ 1,861,331	\$ 2,199,317
Grants - Government	90,293	141,327
Donations - United way	18,198	8,429
Donations - Individuals	168,942	126,389
Donations - Corporations	7,028	3,294
Donations - Bequests	70,000	-
TOTAL SUPPORT	2,215,792	2,478,756
REVENUES		
Training fees	108,250	61,690
Replication and material fees	30,094	27,079
Conference fees	35,824	34,520
Special events, net of direct costs of \$170,317 and \$60,057, respectively	268,662	215,809
Investment and other income	34,477	20,212
TOTAL REVENUE	477,307	359,310
TOTAL SUPPORT AND REVENUE	2,693,099	2,838,066
COSTS AND EXPENSES:		
Program	2,330,649	2,144,843
General and administrative	259,683	289,481
Fundraising	26,119	34,513
TOTAL EXPENSES	2,616,451	2,468,837
CHANGE IN NET ASSETS	76,648	369,229
UNRESTRICTED NET ASSETS		
Beginning of year	2,020,768	1,651,539
End of year	<u>\$ 2,097,416</u>	<u>\$ 2,020,768</u>

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for 2015)

	PROGRAM SERVICES				TOTAL PROGRAM SERVICES	SUPPORT SERVICES		TOTAL EXPENSES 2016	TOTAL EXPENSES 2015
	REPLICATION	TRAINING	OUTREACH	RESEARCH		GENERAL AND ADMINISTRATI ON	FUNDRAISING		
EXPENSES:									
Replication grants	\$ 1,142,402	\$ -	\$ -	\$ -	\$ 1,142,402	\$ -	\$ -	\$ 1,142,402	\$ 1,022,402
Salaries	309,548	58,891	408,857	81,391	858,687	56,838	20,425	935,950	843,103
Payroll taxes	23,823	4,475	31,303	6,274	65,875	4,127	1,523	71,525	67,474
Professional fees	14,850	-	71,895	14,814	101,559	11,526	-	113,085	116,276
Rent	-	-	-	-	-	108,275	-	108,275	104,761
Conference expenses	35,137	-	2,128	-	37,265	-	-	37,265	36,193
Travel	7,277	-	10,026	2,030	19,333	637	-	19,970	33,343
Printing	30	376	2,560	36	3,002	151	163	3,316	12,578
Communications	-	-	20	-	20	-	-	20	2,149
Telephone and website fees	3,979	-	669	-	4,648	24,293	273	29,214	36,063
Postage and messenger	1,354	-	800	-	2,154	196	148	2,498	3,700
Supplies and office expenses	12,349	2,081	2,088	-	16,518	5,715	-	22,233	45,346
Technology project	1,184	-	-	344	1,528	-	-	1,528	13,451
Payroll processing expenses	-	-	-	-	-	3,648	-	3,648	2,799
Health insurance	-	-	-	-	-	23,904	-	23,904	26,202
Insurance	-	-	-	-	-	8,352	-	8,352	6,503
Deprecation and amortization	38,975	-	29,464	-	68,439	1,667	-	70,106	72,750
Training institute expenses	-	7,878	-	-	7,878	-	-	7,878	9,040
Events	-	-	750	-	750	-	3,587	4,337	4,532
Investment expense	-	-	-	-	-	10,354	-	10,354	6,982
Other	-	6	585	-	591	-	-	591	3,190
TOTAL EXPENSES	\$ 1,590,908	\$ 73,707	\$ 561,145	\$ 104,889	\$ 2,330,649	\$ 259,683	\$ 26,119	\$ 2,616,451	\$ 2,468,837

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, 2016
(With comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 76,648	\$ 369,229
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	70,106	72,750
Realized and unrealized investment gains (losses)	(11,758)	15,853
Donated securities	-	(52,051)
Changes in assets and liabilities		
Accounts receivable	(45,888)	69,815
Prepaid expenses	23,875	(12,875)
Security deposits	(507)	(492)
Accrued expenses and other current liabilities	(80,557)	39,572
Grants payable - current	-	(150,000)
Deferred grants - operations	97,464	(255,035)
TOTAL ADJUSTMENTS	<u>62,735</u>	<u>(272,463)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>139,383</u>	<u>96,766</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(32,838)	(509,463)
Proceeds from sale of marketable securities	32,325	76,767
Cash paid for website development costs	(10,087)	(63,776)
Acquisition of property and equipment	(14,902)	(868)
NET CASH USED IN INVESTING ACTIVITIES	<u>(25,502)</u>	<u>(497,340)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	113,881	(400,574)
CASH AND CASH EQUIVALENTS:		
Beginning of year	840,420	1,240,994
End of year	<u>\$ 944,301</u>	<u>\$ 840,420</u>

See independent auditors' report and notes to financial statements.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 is proven 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, 2016.

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.

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 year's experience and management's analysis. As of June 30, 2016, 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.

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.

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, 2016

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 Plan 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, 2016 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.

The fair values of exchange traded funds and preferred stock are based on quoted market prices 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, 2016, 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 2015, 2014, and 2013 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, 2016

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, 2015, 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. The following table presents information and the Organization's assets and liabilities measured at fair value as of June 30, 2016.

	<u>Level 1</u>	<u>Total</u>
Assets		
Mutual Funds		
Bonds	\$ 654,652	\$ 654,652
Equity Large Cap	53,668	53,668
Equity International	50,795	50,795
Equity Mid Cap	35,048	35,048
Managed Futures	24,656	24,656
Exchange Traded Funds		
Equity Large Cap	212,748	212,748
Bonds	70,065	70,065
Energy Limited Partnership	37,684	37,684
Equity Mid Cap	37,775	37,775
Equity International	33,066	33,066
Diversified Emerging Markets	13,711	13,711
Preferred Stock		
Equity Large Cap	64,862	64,862
	<u>\$ 1,288,731</u>	<u>\$ 1,288,731</u>

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 22,496	\$ 5,594
Non-Public	26,820	7,708	19,112
Database	420,226	327,371	92,855
Video Creation costs	91,589	64,272	27,317
	<u>\$ 566,725</u>	<u>\$ 421,847</u>	<u>\$ 144,878</u>

Intangibles amortization expense was \$68,439 for the year ended June 30, 2016. Estimated future amortization expense for intangible assets is as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 47,495
2018	43,267
2019	32,979
2020	15,729
2021	2,704
Thereafter	2,704
	<u>\$ 144,878</u>

NOTE 5. DEFERRED GRANTS-OPERATIONS

Deferred grants-operations of \$367,239 as of June 30, 2016 represent grants received in the current year designated for site work in the following year.

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 \$7,242 to the plan for the year ended June 30, 2016.

See independent auditors' report.

THE PARENT-CHILD HOME PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. COMMITMENTS

The Organization rents office space under a five year lease in Garden City, New York that expires August 31, 2017. Rent expense for the year ended June 30, 2016 was approximately \$108,275. Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 109,000
2018	18,000
	<u>\$ 127,000</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 Depository Insurance Corporation (“FDIC”). The FDIC insured limits for the year ended June 30, 2016 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.

NOTE 9. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred through October 25, 2016, 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.