

**THE PARENT CHILD HOME PROGRAM INC.**  
***REPORT ON AUDIT OF FINANCIAL STATEMENTS***  
***JUNE 30, 2011***

**THE PARENT CHILD HOME PROGRAM INC.**

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***JUNE 30, 2011***

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# Lilling & Company LLP

Certified Public Accountants

## *INDEPENDENT AUDITOR'S REPORT*

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To the Board of Directors  
The Parent Child Home Program Inc.  
Garden City, New York, 11530

We have audited the accompanying statement of financial position of The Parent-Child Home Program, Inc. (a non-profit organization) as of June 30, 2011 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 June 30, 2010 financial statements and, in our report dated October 18, 2010, 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, 2011, 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**

*November 9, 2011*

THE PARENT CHILD HOME PROGRAM INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With comparative totals for 2010)

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 756,765	\$ 876,826
Prepaid expenses	21,744	9,338
Accounts receivable	111,632	6,051
	<u>890,141</u>	<u>892,215</u>
Office equipment, net of accumulated depreciation of \$45,449	17,812	16,867
Web site development costs, net	177,452	149,949
Video creation costs, net	11,898	559
Security deposit	15,980	15,450
	<u>\$ 1,113,283</u>	<u>\$ 1,075,040</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued expenses and other liabilities	\$ 32,781	\$ 38,291
Deferred grants-operations	150,200	77,472
	<u>182,981</u>	<u>115,763</u>
<b>Net Assets</b>		
Net assets - temporarily restricted	-	37,072
Net assets - unrestricted	930,302	922,205
	<u>930,302</u>	<u>959,277</u>
	<u>\$ 1,113,283</u>	<u>\$ 1,075,040</u>

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See notes to financial statements

**THE PARENT CHILD HOME PROGRAM INC.**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**  
*(With comparative totals for 2010)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>SUPPORT AND REVENUES</b>				
<b>SUPPORT</b>				
Grants - Foundations	\$ 680,144	\$ -	\$ 680,144	\$ 767,255
Grants - State Government	162,127	-	162,127	-
Donations-United Way	9,923	-	9,923	15,487
Donations-Individuals	74,228	-	74,228	93,133
Donations-Corporations	14,329	-	14,329	6,943
Net assets released from restrictions	37,072	(37,072)	-	-
<b>Total Support</b>	<u>977,823</u>	<u>(37,072)</u>	<u>940,751</u>	<u>882,818</u>
<b>REVENUES</b>				
Training fees	39,587	-	39,587	94,625
Replication and materials fees	32,985	-	32,985	33,254
Conference fees	21,331	-	21,331	27,309
Fundraising events	287,800	-	287,800	113,499
Interest income	2,514	-	2,514	4,249
<b>Total Revenues</b>	<u>384,217</u>	<u>-</u>	<u>384,217</u>	<u>272,936</u>
<b>Total Support and Revenues</b>	<u>1,362,040</u>	<u>(37,072)</u>	<u>1,324,968</u>	<u>1,155,754</u>
<b>COSTS AND EXPENSES</b>				
Program	1,134,003	-	1,134,003	1,027,645
General and administrative	216,363	-	216,363	191,568
Fundraising	3,577	-	3,577	1,560
<b>Total Expenses</b>	<u>1,353,943</u>	<u>-</u>	<u>1,353,943</u>	<u>1,220,773</u>
<b>CHANGE IN NET ASSETS</b>	8,097	(37,072)	(28,975)	(65,019)
<b>NET ASSETS - BEGINNING</b>	<u>922,205</u>	<u>37,072</u>	<u>959,277</u>	<u>1,024,295</u>
<b>NET ASSETS - END</b>	<u>\$ 930,302</u>	<u>\$ -</u>	<u>\$ 930,302</u>	<u>\$ 959,276</u>

See notes to financial statements

**THE PARENT-CHILD HOME PROGRAM, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2011**

*(With comparative totals for 2010)*

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2011	Total 2010
Replication grants	\$ 268,219	\$ -	\$ -	\$ -	\$ 268,219	\$ -	\$ -	\$ 268,219	\$ 221,136
Salaries and pension	195,230	50,736	200,612	78,351	524,929	41,556	-	566,485	596,346
Payroll taxes	15,877	4,126	16,314	6,372	42,689	5,273	-	47,962	50,445
Professional fees	39,580	-	140,630	5,910	186,120	20,907	1,200	208,227	120,277
Rent	-	-	-	-	0	107,036	-	107,036	104,105
Conference expenses	20,504	-	2,912	-	23,416	-	-	23,416	25,800
Travel	2,077	256	5,540	134	8,007	-	369	8,376	12,062
Printing	1,659	-	9,306	31	10,996	-	407	11,403	7,974
Communications	428	-	553	-	981	-	-	981	590
Telephone and website fees	5,437	-	4,240	-	9,677	8,117	966	18,760	22,208
Postage and messenger	670	-	2,400	-	3,070	332	587	3,989	2,619
Supplies and office expense	23,805	129	240	-	24,174	6,350	48	30,572	4,510
Data processing expenses	-	-	-	-	-	2,206	-	2,206	1,941
Health insurance	-	-	-	-	-	11,033	-	11,033	12,869
Insurance	-	-	-	-	-	4,264	-	4,264	5,377
Depreciation and amortization	29,851	-	-	-	29,851	6,452	-	36,303	24,685
Training institute expense	-	669	-	-	669	-	-	669	5,655
Events	-	-	650	-	650	-	-	650	-
Other	236	-	319	-	555	2,837	-	3,392	2,174
<b>Total Expenses</b>	<b>\$ 603,573</b>	<b>\$ 55,916</b>	<b>\$ 383,716</b>	<b>\$ 90,798</b>	<b>\$ 1,134,003</b>	<b>\$ 216,363</b>	<b>\$ 3,577</b>	<b>\$ 1,353,943</b>	<b>\$ 1,220,773</b>

See notes to financial statements

**THE PARENT CHILD HOME PROGRAM INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2011**

*(With comparative totals for 2010)*

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	<u>2011</u>	<u>2010</u>
<b><i>Cash flows from operating activities:</i></b>		
<i>Change in net assets</i>	\$ (28,975)	\$ (65,019)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	36,303	24,685
Changes in assets and liabilities:		
Accounts receivable	(105,581)	15,836
Prepaid expenses	(12,406)	-
Security deposit	(530)	(808)
Accrued expenses and other current liabilities	(5,510)	(1,352)
Deferred grants-operations	72,728	(67,528)
Total adjustments	<u>(14,996)</u>	<u>(29,167)</u>
<b><i>Net cash provided by (used in) operating activities</i></b>	<u>(43,971)</u>	<u>(94,186)</u>
<b><i>Cash flows from investing activities</i></b>		
Cash paid for web site development costs	(69,252)	(149,783)
Acquisition of property and equipment	<u>(6,838)</u>	<u>(799)</u>
<b><i>Net cash used in investing activities</i></b>	<u>(76,090)</u>	<u>(150,582)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(120,061)	(244,768)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>876,826</u>	<u>1,121,594</u>
<b>CASH AND CASH EQUIVALENTS - END</b>	<u>\$ 756,765</u>	<u>\$ 876,826</u>

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See notes to financial statements

# THE PARENT-CHILD HOME PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 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 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") 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, 2011

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### 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. Web site development costs of \$272,495 are presented net of accumulated amortization of \$95,043. Video creation costs of \$54,710 are presented net of accumulated amortization of \$42,812.

# THE PARENT-CHILD HOME PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 income taxes paid during the year ended June 30, 2011.

### 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, 2011, 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, 2011

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### **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, 2011, from which the summarized information was derived.

### **Functional Allocation of Expenses**

FASB ASC 958-720 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.

### **Fair Value Measurements**

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 Foundation 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.

# THE PARENT-CHILD HOME PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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.)

### 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, 2011:

	<u>Level 1</u>	<u>Total</u>
<b>Assets</b>		
Cash Equivalents -		
Money Market Funds	<u>\$427,125</u>	<u>\$427,125</u>

Money market funds are reported at fair value on a recurring basis as determined by reference to quoted market prices.

### 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 the year ended June 30, 2011.

### 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, 2011 was approximately \$106,000. Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2012	\$97,000
2013	<u>16,000</u>
	<u>\$113,000</u>

**THE PARENT-CHILD HOME PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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**6. RESTRICTED NET ASSETS**

The balance of a board-imposed restriction on net assets of approximately \$37,000 for a program development fund to expand and enhance program services throughout the United States was utilized to update its management system during the year ended June 30, 2011.

**7. CONCENTRATION OF CREDIT RISK**

The Organization maintains several bank accounts at various banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$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.

**8. SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the Organization has reviewed events that have occurred after June 30, 2011, through the date of issuance of these financial statements on November 9, 2011. During this period, the Organization did not have any material subsequent events that are required to be disclosed in the financial statements.