THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2015

THE PARENT-CHILD HOME PROGRAM, INC.

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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, New York

We have audited the accompanying financial statements of The Parent-Child Home Program, Inc., (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditor's 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 Organization'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 Organization'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.

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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, 2015, 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.

Report on Summarized Comparative Information
We have previously audited The Parent-Child Home Program, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lilling + Company

CERTIFIED PUBLIC ACCOUNTANTS
GREAT NECK, NEW YORK
October 26, 2015

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 840,420	$ 1,240,994
Marketable securities	1,276,460	807,566
Prepaid expenses	45,875	33,000
Accounts receivable	19,355	89,170
	2,182,110	2,170,730
Office equipment, net of accumulated depreciation of $72,747	3,793	6,752
Web site development costs, net	168,944	178,567
Video creation costs, net	24,096	19,620
Security deposit	15,615	15,123
	$ 2,394,558	$ 2,390,792
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	$ 104,015	$ 64,443
Grants payable - current	-	150,000
Deferred grants-operations	269,775	524,810
	373,790	739,253
Net Assets		
Net assets - unrestricted	2,020,768	1,651,539
	$ 2,394,558	$ 2,390,792

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(With comparative totals for 2014)

	Total 2015	Total 2014
SUPPORT AND REVENUES		
SUPPORT		
Grants - Foundations	$ 2,199,317	1,292,850
Grants - Government	141,327	120,638
Donations-United Way	8,429	5,611
Donations-Individuals	126,389	122,698
Donations-Corporations	3,294	20,441
Total Support	2,478,756	1,562,238
REVENUES		
Training fees	61,690	86,450
Replication and materials fees	27,079	26,378
Conference fees	34,520	29,231
Fundraising events	215,809	223,784
Investment and other income	20,212	81,269
Total Revenues	359,310	447,112
Total Support and Revenues	2,838,066	2,009,350
COSTS AND EXPENSES		
Program	2,144,843	1,771,779
General and administrative	289,481	278,562
Fundraising	34,513	2,805
Total Expenses	2,468,837	2,053,146
CHANGE IN NET ASSETS	369,229	(43,796)
NET ASSETS - UNRESTRICTED BEGINNING	1,651,539	1,695,335
NET ASSETS - UNRESTRICTED END	$ 2,020,768	$ 1,651,539

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(With comparative totals for 2014)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2015	Total 2014
Replication grants	$ 1,022,402	$ -	$ -	$ -	$ 1,022,402	$ -	$ -	$ 1,022,402	$ 844,572
Salaries	306,645	62,201	330,604	78,933	778,383	39,707	25,013	843,103	751,597
Payroll taxes	23,275	5,089	26,128	7,801	62,293	3,180	2,001	67,474	77,928
Professional fees	14,647	-	90,491	-	105,138	11,138	-	116,276	50,820
Rent	-	-	-	-	-	104,761	-	104,761	101,463
Conference expenses	32,563	-	3,630	-	36,193	-	-	36,193	31,216
Travel	18,678	-	7,608	7,057	33,343	-	-	33,343	20,466
Printing	2,149	888	8,746	30	11,813	185	580	12,578	4,412
Communications	1,789	-	360	-	2,149	-	-	2,149	1,636
Telephone and website fees	6,735	-	6,912	-	13,647	19,539	2,877	36,063	27,351
Postage and messenger	1,464	160	1,586	-	3,210	196	294	3,700	4,389
Supplies and office expense	39,910	742	3,120	350	44,122	1,224	-	45,346	20,327
Technology project	13,451	-	-	-	13,451	-	-	13,451	15,924
Payroll processing expenses	-	-	-	-	-	2,799	-	2,799	3,236
Health insurance	-	-	-	-	-	26,202	-	26,202	10,470
Insurance	-	-	-	-	-	6,503	-	6,503	6,330
Depreciation and amortization	8,091	-	-	-	8,091	64,659	-	72,750	60,388
Training institute expense	-	9,040	-	-	9,040	-	-	9,040	11,507
Events	-	-	784	-	784	-	3,748	4,532	1,333
Investment expense	-	-	-	-	-	6,982	-	6,982	2,764
Other	-	19	765	-	784	2,406	-	3,190	5,017
Total Expenses	$ 1,491,799	$ 78,139	$ 480,734	$ 94,171	$ 2,144,843	$ 289,481	$ 34,513	$ 2,468,837	$ 2,053,146

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 369,229	$ (43,796)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	72,750	60,388
Realized and unrealized investment gains(losses)	15,853	(60,926)
Donated securities	(52,051)	-
Changes in assets and liabilities:		
Accounts receivable	69,815	(61,279)
Prepaid expenses	(12,875)	(23,000)
Security deposit	(492)	(475)
Accrued expenses and other current liabilities	39,572	14,593
Grants payable-current	(150,000)	136,510
Deferred grants-operations	(255,035)	204,767
Total adjustments	(272,463)	270,578
Net cash provided by operating activities	96,766	226,782
Cash flows from investing activities		
Purchase of marketable securities	(509,463)	(139,249)
Proceeds from sale of marketable securities	76,767	52,047
Cash paid for web site development costs	(63,776)	(73,426)
Acquisition of property and equipment	(868)	(1,839)
Net cash used in investing activities	(497,340)	(162,467)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(400,574)	64,315
CASH AND CASH EQUIVALENTS - BEGINNING	1,240,994	1,176,679
CASH AND CASH EQUIVALENTS - END	$ 840,420	$ 1,240,994

See notes to financial statements

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 Organization 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 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.

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. The amounts for each of three classes of net assets – permanently restricted temporarily restricted and unrestricted – are displayed in the statement of financial position and the amounts of change in each of those classes are displayed in a statement of activities. The Organization's financial statements consist of unrestricted net assets, which are 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.

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, 2015, no allowance for uncollectible receivables was considered necessary.

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 $465,048 are presented net of accumulated amortization of $296,104. Video creation costs of $81,400 are presented net of accumulated amortization of $57,304.

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, 2015.

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 income taxes. The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. At June 30, 2015, 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.

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, 2014, 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.

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 inactive 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, 2015 and 2014.

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.

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, 2015	Level 1	Level 2	Level 3	Total
Assets				
Mutual Funds				
Bonds	$ 637,395	$ -	$ -	$ 637,395
Equity Large Cap	65,162	-	-	65,162
Equity International	57,894	-	-	57,894
Equity Mid Cap	36,279	-	-	36,279
Managed Futures	23,642	-	-	23,642
Exchange Traded Funds		-	-	
Equity Large Cap	196,813	-	-	196,813
Bonds	64,035	-	-	64,035
Energy Limited Partnership	42,790	-	-	42,790
Equity Mid Cap	38,010			38,010
Equity International	36,412	-	-	36,412

Diversified Emerging Markets	15,452	-	-	15,452
Preferred Stock Equity Large Cap	62,576	-	-	62,576
	$ 1,276,460	$ -	$ -	$ 1,276,460

4. DEFERRED GRANTS-OPERATIONS

Deferred grants-operations of $269,775 as of June 30, 2015 represents grants received in the current year designated for site work in the following year.

5. 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, 2015.

6. 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, 2015 was approximately $105,000. Future minimum lease payments are as follows:

Years ending June 30,	Amount
2016	$ 105,000
2017	109,000
2018	18,000
	$ 232,000

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 evaluated events that have occurred after June 30, 2015, through the date of issuance of these financial statements on October 26, 2015.