

THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, 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.

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, 2013, 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 2012 financial statements, and our report dated October 24, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Silling + Company". The signature is written in black ink and is positioned above the printed name of the firm.

***CERTIFIED PUBLIC ACCOUNTANTS
GREAT NECK, NEW YORK
October 30, 2013***

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,176,679	\$ 1,466,434
Marketable securities	659,438	194,618
Prepaid expenses	10,000	10,000
Accounts receivable	27,891	182,625
	<u>1,874,008</u>	<u>1,853,677</u>
Office equipment, net of accumulated depreciation of \$56,687	9,841	14,123
Web site development costs, net	156,337	157,214
Video creation costs, net	23,884	28,148
Security deposit	14,648	14,187
	<u>\$ 2,078,718</u>	<u>\$ 2,067,349</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	\$ 63,340	\$ 63,246
Deferred grants-operations	320,043	259,601
	<u>383,383</u>	<u>322,847</u>
Net Assets		
Net assets - unrestricted	<u>1,695,335</u>	<u>1,744,502</u>
	<u>\$ 2,078,718</u>	<u>\$ 2,067,349</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

(With comparative totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
SUPPORT AND REVENUES				
SUPPORT				
Grants - Foundations	\$ 1,355,650	\$ -	\$ 1,355,650	\$ 900,129
Donations-United Way	12,638	-	12,638	9,725
Donations-Individuals	104,656	-	104,656	107,593
Donations-Bequest	-	-	-	1,000,000
Donations-Pass Thru	7,550	-	7,550	-
Donations-Corporations	16,557	-	16,557	13,058
Total Support	<u>1,497,051</u>	<u>-</u>	<u>1,497,051</u>	<u>2,030,505</u>
REVENUES				
Training fees	98,600	-	98,600	121,350
Replication and materials fees	23,413	-	23,413	23,419
Conference fees	29,307	-	29,307	25,275
Fundraising events	165,062	-	165,062	182,782
Investment and other income	44,803	-	44,803	3,699
Total Revenues	<u>361,185</u>	<u>-</u>	<u>361,185</u>	<u>356,525</u>
Total Support and Revenues	<u>1,858,236</u>	<u>-</u>	<u>1,858,236</u>	<u>2,387,030</u>
COSTS AND EXPENSES				
Program	1,689,918	-	1,689,918	1,364,914
General and administrative	217,485	-	217,485	206,148
Fundraising	-	-	-	1,768
Total Expenses	<u>1,907,403</u>	<u>-</u>	<u>1,907,403</u>	<u>1,572,830</u>
CHANGE IN NET ASSETS	(49,167)	-	(49,167)	814,200
NET ASSETS - BEGINNING	<u>1,744,502</u>	<u>-</u>	<u>1,744,502</u>	<u>930,302</u>
NET ASSETS - END	<u>\$ 1,695,335</u>	<u>\$ -</u>	<u>\$ 1,695,335</u>	<u>\$ 1,744,502</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	<u>Replication</u>	<u>Training</u>	<u>Outreach</u>	<u>Research</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total 2013</u>	<u>Total 2012</u>
Replication grants	\$ 678,719	\$ -	\$ -	\$ -	\$ 678,719	\$ -	\$ -	\$ 678,719	\$ 420,298
Salaries	209,690	52,080	308,237	75,579	645,586	49,918	-	695,504	616,992
Payroll taxes	17,370	4,314	25,533	6,261	53,478	3,081	-	56,559	49,447
Professional fees	34,030	-	161,050	-	195,080	12,565	-	207,645	225,785
Rent	-	-	-	-	-	98,269	-	98,269	105,119
Conference expenses	27,267	-	4,447	-	31,714	-	-	31,714	27,392
Travel	1,763	-	7,133	384	9,280	-	-	9,280	14,511
Printing	635	230	10,722	-	11,587	-	-	11,587	4,493
Communications	-	-	360	-	360	-	-	360	752
Telephone and website fees	4,716	-	3,921	-	8,637	13,710	-	22,347	23,919
Postage and messenger	798	107	1,636	-	2,541	170	-	2,711	3,458
Supplies and office expense	3,594	177	85	516	4,372	3,912	-	8,284	10,354
Payroll processing expenses	-	-	-	-	-	2,789	-	2,789	2,796
Health insurance	-	-	-	-	-	10,996	-	10,996	7,870
Insurance	-	-	-	-	-	5,733	-	5,733	5,350
Depreciation and amortization	43,824	-	-	-	43,824	9,610	-	53,434	48,974
Training institute expense	-	2,174	-	-	2,174	-	-	2,174	1,665
Events	-	-	966	-	966	-	-	966	-
Investment expense	-	-	-	-	-	4,399	-	4,399	-
Other	-	-	1,600	-	1,600	2,333	-	3,933	3,655
Total Expenses	\$ 1,022,406	\$ 59,082	\$ 525,690	\$ 82,740	\$ 1,689,918	\$ 217,485	\$ -	\$ 1,907,403	\$ 1,572,830

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$ (49,167)	\$ 814,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,434	48,974
Realized and unrealized investment gains	(25,104)	(106)
Changes in assets and liabilities:		
Accounts receivable	154,734	(70,993)
Prepaid expenses	-	11,744
Security deposit	(461)	1,793
Accrued expenses and other current liabilities	94	30,465
Deferred grants-operations	60,442	109,401
Total adjustments	<u>243,139</u>	<u>131,278</u>
<i>Net cash provided by operating activities</i>	<u>193,972</u>	<u>945,478</u>
<i>Cash flows from investing activities</i>		
Purchase of marketable securities	(461,123)	(194,512)
Proceeds from sale of marketable securities	21,407	-
Cash paid for web site development costs	(42,947)	(39,094)
Acquisition of property and equipment	(1,064)	(2,203)
<i>Net cash used in investing activities</i>	<u>(483,727)</u>	<u>(235,809)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(289,755)	709,669
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,466,434</u>	<u>756,765</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 1,176,679</u>	<u>\$ 1,466,434</u>

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

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.

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

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

amounts for each of three classes of net assets – permanently restricted 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 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.

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 \$336,586 are presented net of accumulated amortization of \$180,249. Video creation costs of \$72,660 are presented net of accumulated amortization of \$48,776.

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, 2013

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, 2013.

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, 2013, 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, 2012, 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.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

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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 a 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 liability, either directly or indirectly.

Level 3- are unobservable inputs for the asset or liability 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.)

Valuation techniques of the Organization's major categories of assets and liabilities measured at fair value on a recurring basis are as follows:

Preferred Stock - The fair value of preferred stock is based on quoted market prices of the shares held by the Organization at year-end.

Mutual Funds - The fair value of mutual funds is based on quoted net asset value of the shares held by the Organization at year-end.

Exchange Traded Funds - Exchange traded funds whose market quotations are readily available, whether in the U.S. or overseas, are valued at the last reported sale price or the official closing price on the primary market or exchange on which they are traded on the measurement date. In the event there were no sales during the day or closing prices are not available, securities are valued based upon analysis of various factors such as the "bid" and "ask" price at the close of business on such day or the most recent sale price,

THE PARENT-CHILD HOME PROGRAM, INC.

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whichever is deemed to be the most representative of market conditions. Exchange traded funds which trade in active markets are categorized in level 1 of the fair value hierarchy.

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, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Mutual Funds	\$ 310,113	\$ -	\$ -	\$ 310,113
Exchange Traded Funds	287,306	-	-	287,306
Preferred Stock	<u>62,019</u>	<u>-</u>	<u>-</u>	<u>62,019</u>
	<u>\$ 659,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,438</u>

June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Mutual Funds	\$ 43,568	\$ -	\$ -	\$ 43,568
Exchange Traded Funds	87,319	-	-	87,319
Preferred Stock	<u>63,731</u>	<u>-</u>	<u>-</u>	<u>63,731</u>
	<u>\$ 194,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,618</u>

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, 2013.

THE PARENT-CHILD HOME PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

5. 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, 2013 was approximately \$98,000. Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 99,000
2015	102,000
2016	105,000
2017	109,000
Thereafter	<u>18,000</u>
	<u>\$ 433,000</u>

6. 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.

7. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the Organization has reviewed events that have occurred after June 30, 2013, through the date of issuance of these financial statements on October 30, 2013. During this period, the Organization did not have any material subsequent events that are required to be disclosed in the financial statements.