THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2012

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, 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, 2012 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, 2011 financial statements and, in our report dated October 18, 2011, 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, 2012, 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.

Lilling + Company

CERTIFIED PUBLIC ACCOUNTANTS
GREAT NECK, NEW YORK
October 24, 2012

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THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With comparative totals for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,466,434	$ 756,765
Marketable securities	194,618	-
Prepaid expenses	10,000	21,744
Accounts receivable	182,625	111,632
	1,853,677	890,141
Office equipment, net of accumulated depreciation of $51,341	14,123	17,812
Web site development costs, net	157,214	177,452
Video creation costs, net	28,148	11,898
Security deposit	14,187	15,980
	$ 2,067,349	$ 1,113,283
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	$ 63,246	$ 32,781
Deferred grants-operations	259,601	150,200
	322,847	182,981
Net Assets		
Net assets - unrestricted	1,744,502	930,302
	$ 2,067,349	$ 1,113,283

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(With comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
SUPPORT AND REVENUES				
SUPPORT				
Grants - Foundations	$ 900,129	$ -	$ 900,129	$ 680,144
Grants - State Government	-	-	-	162,127
Donations-United Way	9,725	-	9,725	9,923
Donations-Individuals	107,593	-	107,593	74,228
Donations-Bequest	1,000,000	-	1,000,000	-
Donations-Corporations	13,058	-	13,058	14,329
Total Support	2,030,505	-	2,030,505	940,751
REVENUES				
Training fees	121,350	-	121,350	39,587
Replication and materials fees	23,419	-	23,419	32,985
Conference fees	25,275	-	25,275	21,331
Fundraising events	182,782	-	182,782	287,800
Investment and other income	3,699	-	3,699	2,514
Total Revenues	356,525	-	356,525	384,217
Total Support and Revenues	2,387,030	-	2,387,030	1,324,968
COSTS AND EXPENSES				
Program	1,364,914	-	1,364,914	1,134,003
General and administrative	206,148	-	206,148	216,363
Fundraising	1,768	-	1,768	3,577
Total Expenses	1,572,830	-	1,572,830	1,353,943
CHANGE IN NET ASSETS	814,200	-	814,200	(28,975)
NET ASSETS - BEGINNING	930,302	-	930,302	959,277
NET ASSETS - END	$ 1,744,502	$ -	$ 1,744,502	$ 930,302

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(With comparative totals for 2011)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2012	Total 2011
Replication grants	$ 420,298	$ -	$ -	$ -	$ 420,298	$ -	$ -	$ 420,298	$ 268,219
Salaries	200,676	53,647	228,866	88,749	571,938	45,054	-	616,992	566,485
Payroll taxes	16,275	4,351	18,562	6,979	46,167	3,280	-	49,447	47,962
Professional fees	43,810	-	172,415	-	216,225	9,560	-	225,785	208,227
Rent	-	-	-	-	-	105,119	-	105,119	107,036
Conference expenses	25,143	-	2,034	-	27,177	-	215	27,392	23,416
Travel	2,991	-	11,363	157	14,511	-	-	14,511	8,376
Printing	108	-	4,199	25	4,332	8	153	4,493	11,403
Communications	23	-	729	-	752	-	-	752	981
Telephone and website fees	4,374	-	3,177	-	7,551	15,486	882	23,919	18,760
Postage and messenger	639	14	2,086	-	2,739	201	518	3,458	3,989
Supplies and office expense	7,793	382	97	404	8,676	1,678	-	10,354	30,572
Data processing expenses	-	-	-	-	-	2,796	-	2,796	2,206
Health insurance	-	-	-	-	-	7,870	-	7,870	11,033
Insurance	-	-	-	-	-	5,350	-	5,350	4,264
Depreciation and amortization	41,382	-	-	-	41,382	7,592	-	48,974	36,303
Training institute expense	-	1,665	-	-	1,665	-	-	1,665	669
Events	-	-	-	-	-	-	-	-	650
Other	136	-	1,365	-	1,501	2,154	-	3,655	3,392
Total Expenses	$ 763,648	$ 60,059	$ 444,893	$ 96,314	$ 1,364,914	$ 206,148	$ 1,768	$ 1,572,830	$ 1,353,943

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(With comparative totals for 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 814,200	$ (28,975)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,974	36,303
Unrealized gain	(106)	
Changes in assets and liabilities:		
Accounts receivable	(70,993)	(105,581)
Prepaid expenses	11,744	(12,406)
Security deposit	1,793	(530)
Accrued expenses and other current liabilities	30,465	(5,510)
Deferred grants-operations	109,401	72,728
Total adjustments	131,278	(14,996)
Net cash provided by (used in) operating activities	945,478	(43,971)
Cash flows from investing activities		
Purchase of marketable securities	(194,512)	-
Cash paid for web site development costs	(39,094)	(69,252)
Acquisition of property and equipment	(2,203)	(6,838)
Net cash used in investing activities	(235,809)	(76,090)
NET CHANGE IN CASH AND CASH EQUIVALENTS	709,669	(120,061)
CASH AND CASH EQUIVALENTS - BEGINNING	756,765	876,826
CASH AND CASH EQUIVALENTS - END	$ 1,466,434	$ 756,765

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

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 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 $293,639 are presented net of accumulated amortization of $136,425. Video creation costs of $72,660 are presented net of accumulated amortization of $44,512.

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, 2012.

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, 2012, 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, 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 Organization has the ability to access.

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, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Preferred Stocks	$ 63,731	$ -	$ -	$ 63,731
Mutual Funds	43,462	-	-	43,462
Exchange Traded Funds	87,319	-	-	87,319
	$ 194,512	$ -	$ -	$ 194,512

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, 2012.

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, 2012 was approximately $105,000. Future minimum lease payments are as follows:

Years ending June 30,	Amount
2013	$95,000
2014	99,000
2015	102,000
2016	105,000
Thereafter	127,000
	$528,000

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, 2012, through the date of issuance of these financial statements on October 24, 2012. During this period, the Organization did not have any material subsequent events that are required to be disclosed in the financial statements.