

PARENTS AS TEACHERS NATIONAL CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

Parents as Teachers National Center, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Parents as Teachers National Center, Inc.
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Parents as Teachers National Center, Inc., a nonprofit organization, (the "Center") which comprise the statement of financial position as of June 30, 2019, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parents as Teachers National Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Schmeissahl Treloar & Co., PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri
October 2, 2019

FINANCIAL STATEMENTS

Parents as Teachers National Center, Inc.
STATEMENTS OF FINANCIAL POSITION

ASSETS		June 30,	
		2019	2018
CURRENT ASSETS			
Cash and cash equivalents	\$	707,610	\$ 814,817
Accounts receivable, net		423,972	309,883
Contracts receivable		545,377	645,237
Grants receivable		2,039,344	1,003,639
Contributions receivable		220,161	80,298
Inventory		206,266	211,204
Prepaid expenses		237,204	393,166
Total Current Assets		4,379,934	3,458,244
GRANTS RECEIVABLE, NONCURRENT		850,000	-
PROPERTY AND EQUIPMENT, NET		948,392	732,406
INVESTMENTS		10,724,213	10,360,320
TOTAL ASSETS	\$	16,902,539	\$ 14,550,970
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	1,176,691	\$ 1,141,806
Deferred revenues		528,497	505,202
Total Current Liabilities		1,705,188	1,647,008
NET ASSETS			
Without donor restrictions			
Net investment in property and equipment		948,392	732,406
Board designated scholarship fund		66,703	66,539
Board designated quasi endowment		10,724,213	10,360,320
Available for general use		945,900	603,008
Total Net Assets without Donor Restrictions		12,685,208	11,762,273
With donor restrictions			
Perpetual in nature		42,585	42,585
Purpose restrictions		587,400	1,018,806
Time-restricted for future periods		1,882,158	80,298
Total Net Assets With Donor Restrictions		2,512,143	1,141,689
Total Net Assets		15,197,351	12,903,962
TOTAL LIABILITIES AND NET ASSETS	\$	16,902,539	\$ 14,550,970

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019
(With Summarized Financial Information For The Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT				
Contracts	\$ 2,467,456	\$ -	\$ 2,467,456	\$ 2,525,680
Federal grants	1,554,724	-	1,554,724	1,390,659
Grants and contributions	<u>352,190</u>	<u>2,933,930</u>	<u>3,286,120</u>	<u>1,269,528</u>
Total Support	<u>4,374,370</u>	<u>2,933,930</u>	<u>7,308,300</u>	<u>5,185,867</u>
REVENUES				
Recertification and affiliation fees	3,681,607	-	3,681,607	3,378,153
Training and consulting fees	3,439,680	-	3,439,680	3,214,406
Conference	623,638	-	623,638	479,325
Reimbursed service costs	388,465	-	388,465	339,111
Sales of materials	125,542	-	125,542	115,264
Miscellaneous income	<u>28,881</u>	<u>-</u>	<u>28,881</u>	<u>35,215</u>
Total Revenues	<u>8,287,813</u>	<u>-</u>	<u>8,287,813</u>	<u>7,561,474</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,563,476</u>	<u>(1,563,476)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>14,225,659</u>	<u>1,370,454</u>	<u>15,596,113</u>	<u>12,747,341</u>
EXPENSES				
Program services	10,950,596	-	10,950,596	9,976,567
Management and general	2,484,828	-	2,484,828	2,467,141
Fundraising	<u>231,356</u>	<u>-</u>	<u>231,356</u>	<u>281,037</u>
Total Expenses	<u>13,666,780</u>	<u>-</u>	<u>13,666,780</u>	<u>12,724,745</u>
Change in Net Assets from Operations	558,879	1,370,454	1,929,333	22,596
INVESTMENT RETURN, NET OF FEES	<u>364,056</u>	<u>-</u>	<u>364,056</u>	<u>559,989</u>
Change in Net Assets	922,935	1,370,454	2,293,389	582,585
NET ASSETS, Beginning of year	<u>11,762,273</u>	<u>1,141,689</u>	<u>12,903,962</u>	<u>12,321,377</u>
NET ASSETS, End of year	<u>\$ 12,685,208</u>	<u>\$ 2,512,143</u>	<u>\$ 15,197,351</u>	<u>\$ 12,903,962</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With Summarized Financial Information For The Year Ended June 30, 2018)

	2019									2018
	Training and Curriculum	Affiliations	Research and Evaluation	General Program	Outreach	Total Program Services	Management and General	Fund Development	Total	Total
Salaries, payroll taxes and benefits	\$ 1,811,707	\$ 1,289,495	\$ 557,508	\$ 1,517,830	\$ 305,471	\$ 5,482,011	\$ 1,751,116	\$ 151,679	\$ 7,384,806	\$ 7,079,893
Professional and contracted services	544,118	554,256	311,608	1,359,568	83,488	2,853,038	372,476	23,740	3,249,254	2,782,599
Travel	470,975	82,046	15,872	90,140	170	659,203	53,070	6,378	718,651	733,129
International conference	55,698	23,820	10,173	13,151	561,229	664,071	9,289	4,839	678,199	514,130
Cost of goods sold	324,991	1,331	4,519	191,798	34,606	557,245	-	-	557,245	504,805
Occupancy	102,243	64,197	35,418	134,713	22,731	359,302	90,778	14,208	464,288	430,573
Depreciation	24,979	15,410	8,730	29,090	5,820	84,029	22,707	3,494	110,230	19,647
Bank and credit card fees	20,846	12,444	6,958	23,184	5,499	68,931	21,531	2,785	93,247	73,800
Board expenses	15	-	-	-	872	887	60,293	297	61,477	48,611
Office supplies and non-capital equipment	10,997	7,658	3,841	7,639	1,399	31,534	25,997	1,633	59,164	65,122
Facilities	12,830	8,820	1,576	18,701	1,079	43,006	9,009	6,171	58,186	74,107
Miscellaneous	438	387	579	10,683	12,737	24,824	11,300	1,661	37,785	14,787
Temporary services	-	-	-	-	-	-	33,650	104	33,754	60,028
Print, copy and video production	14,781	5,214	2,197	2,211	2,464	26,867	1,021	2,919	30,807	59,419
Telephone	2,467	2,990	1,261	17,885	590	25,193	4,962	330	30,485	35,867
Software fees	6,206	4,452	5,372	1,230	426	17,686	1,089	2,828	21,603	121,357
Postage and shipping	13,802	184	119	170	706	14,981	-	5,128	20,109	47,821
Dues and subscriptions	481	766	364	5,869	3,670	11,150	7,456	1,145	19,751	15,614
Equipment	4,649	2,885	1,353	3,682	796	13,365	3,544	569	17,478	7,850
Staff development	1,642	-	526	7,995	-	10,163	5,540	788	16,491	9,190
Advertisement	29	3,000	-	-	81	3,110	-	660	3,770	6,141
Bad debt expense	-	-	-	-	-	-	-	-	-	20,255
	<u>\$ 3,423,894</u>	<u>\$ 2,079,355</u>	<u>\$ 967,974</u>	<u>\$ 3,435,539</u>	<u>\$ 1,043,834</u>	<u>\$ 10,950,596</u>	<u>\$ 2,484,828</u>	<u>\$ 231,356</u>	<u>\$ 13,666,780</u>	<u>\$ 12,724,745</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,293,389	\$ 582,585
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	110,230	19,647
Net realized and unrealized gain on investments	(44,480)	(268,674)
Inventory obsolescence write-off	4,828	39,013
Bad debt expense	-	20,255
(Increase) decrease in assets:		
Accounts receivable, net	(114,089)	(62,268)
Contracts receivable	99,860	71,909
Grants receivable	(1,885,705)	(351,189)
Contributions receivable	(139,863)	(42,544)
Inventory	110	(16,394)
Prepaid expenses	155,962	(43,507)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	34,885	261,640
Deferred revenues	23,295	111,686
 Net Change in Cash from Operating Activities	 538,422	 322,159
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,693,771)	(1,614,950)
Proceeds from sale of investments	3,374,358	1,330,663
Purchase of property and equipment	(326,216)	(601,646)
 Net Change in Cash from Investing Activities	 (645,629)	 (885,933)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (107,207)	 (563,774)
 CASH AND CASH EQUIVALENTS, Beginning of year	 814,817	 1,378,591
 CASH AND CASH EQUIVALENTS, End of year	 \$ 707,610	 \$ 814,817
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ -	\$ 2,890

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of Parents as Teachers National Center, Inc. (the "Center") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes has been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of financial assets (Note Q)

Basis of Presentation

The financial statement presentation follows the requirements of United States Generally Accepted Accounting Principles ("GAAP"). Therefore, Parents as Teachers National Center, Inc. reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated scholarship fund and quasi endowment.

Net Investment in Property and Equipment represents net assets without donor restriction consisting of property and equipment of the Center.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets without Donor Restrictions (Continued)

Board Designated Scholarship Fund represents the earnings from the Mildred Winter Scholarship Fund to support trainees attending PAT Programs.

Board Designated Quasi Endowment represents those net assets established with the intention of allowing the corpus to be retained and the income to build within the account or be used to fund operations or large capital project initiatives. The Board retains the authority to “un-designate” these funds as deemed necessary in the future.

Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Center considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

The Center maintains cash deposits in bank accounts which at times may exceed the federally insured limits of up to \$250,000 for each account. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts, Contracts, Grants and Contributions Receivable

Accounts, contracts, grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to expenses and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the respective receivable balance. The Center has an allowance for doubtful accounts of \$30,000 at June 30, 2019.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventory

Inventory consists of core training and professional development materials of the Center. Inventory is carried at average cost.

Investments

Investments consist of mutual funds, exchange traded products, bonds, certificates of deposit and money market funds, and are carried at fair value. Donated investments received as contributions are recorded at their fair value of the investment on the date they were received. Investment return, net of fees, is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Property and Equipment

Property and equipment are recorded at cost if purchased, or at estimated fair value if donated, less accumulated depreciation computed using the straight-line method over periods ranging from three to thirty-nine years. Expenditures for repairs and maintenance are charged to expenses as incurred. Purchases under \$5,000 are recorded as expense in the period incurred.

Deferred Revenues

Deferred revenues include training and renewal fees paid in advance for training seminars which have not occurred as of year-end and annual affiliation fees for the upcoming year.

Support and Revenue with and without Donor Restrictions

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Donated Investments and Services

Investments which are donated to the Center are recorded as contributions at their fair values as of the date of receipt.

In addition, the Center records as in-kind contributions those donated services that meet the criteria for recognition under GAAP.

Functional Expense Allocation

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of time and effort; bank and credit card fees, depreciation, and occupancy expenses are allocated on the basis of department headcount; and certain other expenses have been allocated among program services, management and general, and fund development based on direct benefit and department headcount.

Financial Instruments

The carrying amount of cash and cash equivalents, accounts, contracts, grants and contributions receivable, accounts payable and accrued expenses, and deferred revenues reported in the Statement of Financial Position approximate fair values due to the short-term maturities of those instruments.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Tax Status

The Center qualifies as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center does not have unrelated business income, excise taxes or activities that would threaten the Center's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Center files an information return, IRS Form 990. Tax returns for fiscal years 2016 and later remain subject to examination by taxing authorities. The Center adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of the Center related to the tax filings.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reclassification

Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 2, 2019, the date the financial statements were available to be issued.

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services

Includes all aspects of the Center's operations – providing the information, training, technical assistance, curriculum and program development for professionals implementing family education and support services designed to promote the optimal early development, learning and health of children by supporting and engaging their parents and caregivers. The Center's programs are:

Training, Curriculum and Program Innovations – There were over 6,000 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2018 through June 30, 2019.

Affiliations and Program Support – The number of Parents as Teacher ("PAT") affiliates at June 30, 2019 was 1,018 in 49 states, District of Columbia, U.S. Territories, Germany, Switzerland, United Kingdom and Canada. Curriculum subscribers extend the footprint to include 50 states, Australia, Singapore, and Guam.

Research and Quality Improvement – This program area includes developing collaborative relationships with university researchers, supporting the design of new research studies, and communicating research findings within the field. In addition, the department develops resources for program evaluation and outcomes measurement, analyzes and disseminates Affiliate Performance Report data, and manages the Parents as Teachers quality endorsement process to assess fidelity to the evidence-based model.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

General Program –

Curriculum Development – Work this year included the continual updating of the online Foundational Curriculum. The following new resources were released to the field - *Heroes at Home* Digital Guide, *Goal\$ and Assets* group series, *Considering Professional and Ethical Behaviors* resource, and the *Intentional Partnerships* podcast series.

Certification – Parent educators attending Foundational and Model Implementation training are granted Model certification. Annual renewal is required to maintain certification and Foundational curriculum access.

Conference – Annual meeting for parent educators and others in the early childhood field to share information, receive additional training and attend workshops conducted by professional speakers and presenters.

Special Programs – Includes general program support and various other projects such as the contracts with the Normandy Schools Collaborative, Missouri Departments of Elementary and Secondary Education and Health where the Center administers the program and supervises staff to implement the model and deliver direct services to families.

Also included is the Wyoming Maternal Infant and Early Childhood Home Visiting programs where the Center is the nonprofit federal grant recipient that administers, supervises and coordinates the delivery of services by local implementing agencies within the states.

Through a contract with the Bureau of Indian Education (BIE), the Center provides technical assistance to the Family and Child Education (FACE) Program, an educational model developed for American Indian families with emphasis on school readiness through culturally responsive education, resources and support. The Center currently provides assistance to 49 BIE-funded schools.

Outreach – Includes dissemination of information about Parents as Teachers programming and services to parents, social service agencies, schools, legislators, child care providers and home visitors, program administrators, government agencies and media outlets in 50 states and several other countries.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Center's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Center, and manage the financial and budgetary responsibilities of the Center.

Fund Development

Provides the structure necessary to encourage and secure financial support from individuals, foundations, corporations and other organizations.

B. **OPERATIONS**

The Parents as Teachers (PAT) program began in 1981 as a pilot project to provide parents the information and support necessary to help their children (from birth to age three) get the best possible start in life. The PAT program was initially funded by the Missouri Department of Elementary and Secondary Education (DESE), The Danforth Foundation and four local school districts. Legislation enacted in 1984 led to statewide expansion of the PAT program in 1985, within the limits of state appropriations.

During 1987, the PAT National Center was formed to promote the growth of the PAT program within Missouri and on a national level. Initial funding for this operation came primarily from grants by DESE, The Ford Foundation and The Danforth Foundation.

On October 19, 1990, the Center was formed and incorporated as a not-for-profit corporation. A primary function of the Center is to strengthen, support, promote, expand and adapt the PAT program within Missouri, as well as nationally and internationally. In doing so, the Center serves policy makers, school districts, other family support and education organizations, corporations, foundations, program administrators, parent educators and families.

C. **INVESTMENTS**

Investments consist of mutual funds totaling \$5,001,149, exchange traded products totaling \$2,219,227, money market funds totaling \$403,933, municipal bonds totaling \$2,096,727, and certificates of deposit totaling \$1,003,177. These investments have a cost of \$9,962,973 and a fair value of \$10,724,213. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2019, a net realized and unrealized gain of \$44,480 was recorded to adjust the investments to fair value.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

C. **INVESTMENTS** (Continued)

Investment return, net of fees, on the Statement of Activities consist of the following at June 30, 2019:

Interest and dividends, net of fees	\$319,576
Net realized and unrealized gains	<u>44,480</u>
Investment Return, Net of Fees	<u><u>\$364,056</u></u>

These board designated net assets have been set aside for future operational purposes or to fund large capital project initiatives. Interest and dividends are re-invested into the Quasi Endowment and operational transfers are made only by Board action.

D. **FAIR VALUE DISCLOSURES**

The Center's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP.

GAAP establishes a hierarchy based on the quality of the inputs used to measure fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Center. Unobservable inputs are inputs that reflect the Center's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Center has the ability to access and does not entail a significant degree of judgment.

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

D. FAIR VALUE DISCLOSURES (Continued)

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>	<u>Fair Value</u>			
Mutual Funds	\$ 5,001,149	\$5,001,149	\$ -	\$ -
Exchange Traded Products	2,219,227	2,219,227	-	-
Money Market Funds	403,933	403,933	-	-
Municipal Bonds	2,096,727	-	2,096,727	-
Certificates of Deposit	1,003,177	1,003,177	-	-
Total	<u>\$10,724,213</u>	<u>\$8,627,486</u>	<u>\$2,096,727</u>	<u>\$ -</u>

E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

Office furniture and equipment	\$1,814,678
Leasehold improvements	224,559
Construction in progress	<u>227,234</u>
	2,266,471
Less: accumulated depreciation	<u>(1,318,079)</u>
Total Property and Equipment, Net	<u>\$ 948,392</u>

Depreciation amounted to \$110,230 for the year ended June 30, 2019.

F. GRANTS RECEIVABLE

Grants receivable are due as follows at June 30, 2019:

Receivable in less than one year	\$2,039,344
Receivable in one year	<u>850,000</u>
Total Grants Receivable	<u>\$2,889,344</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2019:

Missouri Foundation for Health - Infant Mortality Reduction Initiative	\$ 196,853
Missouri Foundation for Health - Healthy Tomorrows Community Connections	141,378
The Steven and Susan Lipstein Foundation - Show Me Strong Families	100,000
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	56,988
Anonymous - MOPATA	48,387
Allen P and Josephine B. Green Foundation - Autism	14,000
Deaconess Foundation - Show Me Strong Families - Advocacy	13,375
Norman J. Stupp Foundation - Show Me Strong Families	8,466
Goldstein Family Foundation - Show Me Strong Families	4,089
Trio Foundation - Show Me Strong Families	3,024
Autism Speaks - Autism Curriculum	840
	<u>587,400</u>

Subject to passage of time:

For periods after June 30,

The Ballmer Group Foundation - General Operations Support	1,700,000
Centene Foundation - General Organization Sponsorship	125,000
Centene Foundation - Conference Sponsorship	24,000
Athena Software - Conference Sponsorship	5,000
Enterprise Bank and Trust - Conference Sponsorship	5,000
Commerce Bank - Conference Sponsorship	2,500
Moneta Group - Conference Sponsorship	2,500
Individual Contributions Pledged	18,158
	<u>1,882,158</u>

Subject to the Organization's spending policy and appropriation

Original donor-restricted gift amount and amount required to be maintained by donor	<u>42,585</u>
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Total	<u><u>\$ 2,512,143</u></u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

H. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2019:

Missouri Foundation for Health - Infant Mortality Reduction Initiative	\$ 187,337
The Pitnon Foundation - Development of Virtual Screening Method	100,000
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	80,818
Emerson Charitable Trust - Emerson Training Center Renovation	72,000
Anonymous - MOPATA	59,492
Missouri Foundation for Health - Healthy Tomorrow Community Connections	38,212
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	26,996
Joseph H. and Florence A. Roblee Foundation - Normandy Schools Collaborat	15,000
Express Scripts - Normandy Schools Collaborative	10,000
Dana Brown Charitable Fund - Normandy Schools Collaborative	8,845
Trio Foundation - Show Me Strong Families	6,976
Deaconess Foundation - Show Me Strong Families - Advocacy	6,625
Goldstein Family Foundation - Show Me Strong Families	5,911
Greater St. Louis Bookfair - Normandy Schools Collaborative	5,900
Washington University - Diabetes Research	5,000
Autism Speaks - Autism Curriculum	4,060
Norman J. Stupp Foundation - Show Me Strong Families	1,534
	<u>634,706</u>

Time restrictions expired:

The Ballmer Group Foundation	850,000
Individual Contributions Pledged	<u>78,770</u>
	<u>928,770</u>

Total Net Assets Released from Restriction	<u>\$ 1,563,476</u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

I. GRANTS AND CONTRIBUTIONS WITH DONOR RESTRICTIONS

The Center's grants and contributions support for the year ended June 30, 2019 is as follows:

The Ballmer Group Foundation	\$ 2,550,000
Centene Foundation - General Organization Sponsorship	125,000
Emerson Charitable Trust - Emerson Training Center Renovation	72,000
Heising Simon Foundation - Fiscal Agent, Home Visiting Collaborative	60,000
Centene Foundation - Conference Sponsorship	24,000
Deaconess Foundation - Show Me Strong Families - Advocacy	20,000
Individual Contributions/Pledges Receivable as of June 30, 2019	16,630
Allen P and Josephine B. Green Foundation - Autism Curriculum	14,000
Goldstein Family Foundation - Show Me Strong Families	10,000
Trio Foundation - Show Me Strong Families	10,000
Norman J. Stupp Foundation - Show Me Strong Families	10,000
Athena Software - Conference Sponsorship	5,000
Enterprise Bank and Trust - Conference Sponsorship	5,000
Autism Speaks - Autism Curriculum	4,900
Commerce Bank - Conference Sponsorship	2,500
Moneta Group - Conference Sponsorship	2,500
Greater St. Louis Bookfair - Normandy Schools Collaborative	2,400
Total	<u><u>\$ 2,933,930</u></u>

J. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of unrestricted support previously received by the Center. These funds are earmarked by the Board of Directors as follows:

Quasi Endowment – Established with the intention of allowing the corpus to be retained and the income to build within the account or be used to fund a portion of the operating costs or to fund large capital project initiatives. The Board retains the authority to change the designation of these funds as deemed necessary in the future. The Board designated Quasi Endowment amounted to \$10,724,213 for the year ended June 30, 2019.

Scholarship Fund – Established with the intention of utilizing the earnings from the Mildred Winter Scholarship Fund to support trainees attending PAT Programs. The Board designated scholarship fund amounted to \$66,703 for the year ended June 30, 2019.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

K. **ENDOWMENT FUNDS**

The Center has adopted provisions of ASC 958-205-50-1B, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. ASC 958-205-50-1B provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization. The Center's Quasi Endowment consists of funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective August 28, 2009, the State of Missouri enacted UPMIFA. UPMIFA requires the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Center classifies as net assets with donor restriction – perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

There are no donor-restricted endowment funds at June 30, 2019.

Investment Return Objectives, Risk Parameters and Strategies: The Center has adopted an investment policy, approved by the Board of Directors, for endowment assets to provide a clear understanding of the investment philosophy and objectives regarding the investment of funds of the Center. Accordingly, the objective of the investment policy is to preserve the Center's assets while meeting the spending objective and real rate of return objective to protect and grow the Center's assets at a rate of return consistent with applicable benchmarks. Quasi Endowment assets are invested in a diversified asset mix, which can include cash and cash equivalents, equities and fixed income securities. The Board designated Quasi Endowment funds have asset allocation target percentages by class of asset, including fixed income at 30%, Equity at 50%, and alternative investments at 20%.

The Center's investment performance is evaluated semi-annually against index benchmarks. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets include the Center's Board designated Quasi Endowment funds.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

K. **ENDOWMENT FUNDS** (Continued)

Spending Policy: The Board designated Quasi Endowment fund was established with the intention of retaining the corpus and building income to be used to fund a portion of the operating costs or to fund major capital project initiatives. Contributions to the Board designated Quasi Endowment fund and appropriations for operations must be authorized by the Board of Directors. The Center expects the current spending policy to allow its endowment funds to grow.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. Deficiencies of this nature, if any, would be reported in net assets with donor restrictions. These deficiencies could result from unfavorable market fluctuations on investment contributions restricted in perpetuity. There were no deficiencies at June 30, 2019.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Assets
Board designated endowment funds	\$10,724,213	\$ -	\$10,724,213

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$10,360,320	\$ -	\$10,360,320
Interest and dividends, net of fees	319,413	-	319,413
Net appreciation (realized and unrealized)	44,480	-	44,480
Amounts appropriated for operations	-	-	-
Endowment net assets, end of year	\$10,724,213	-	\$10,724,213

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

L. CONTRACTS

The Center's contract support for the year ended June 30, 2019 is as follows:

Bureau of Indian Education	\$ 1,054,108
Normandy Schools Collaborative	699,150
Missouri DHSS - MO MIECHV	518,146
Washington University	95,428
Missouri DESE - Right from the Start	70,313
St. Louis County Children's Service Fund	30,311
Total	<u>\$ 2,467,456</u>

M. FEDERAL GRANTS

The Center's federal grants support for the year ended June 30, 2019 is as follows:

U.S. Department of Health and Human Services

Maternal, Infant and Early Childhood Home	
Visiting Program - WY	\$ 1,508,460
Healthy Tomorrows Partnership for Children Program	<u>46,264</u>
Total U.S. Department of Health and Human Services	<u>1,554,724</u>
Total Federal Grants	<u>\$ 1,554,724</u>

N. DEFERRED COMPENSATION PLAN

The Center participates in a 401(k) retirement plan for full time staff, which permits eligible employees to contribute a portion of their salaries not to exceed limits set by the Internal Revenue Code. The Center provides up to a 5% matching contribution for all participants making participant contributions. The Center may make an additional discretionary employer contribution up to 2% of all eligible compensation, which occurred in fiscal year 2019. The Center's contribution to the plan for the year ended June 30, 2019 was \$290,202.

O. LINE OF CREDIT

The Center has an \$800,000 line of credit bearing a variable interest rate of monthly LIBOR (2.37% at June 30, 2019) plus 2.25%, with no floor. Outstanding principal and interest are payable December 20, 2019. There was no outstanding balance at June 30, 2019. Certain investment accounts are pledged as collateral.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

P. LEASE AGREEMENTS

In June 2011, the Center executed a first lease amendment effective March 1, 2011 for its operating facilities in St. Louis, Missouri. The lease originally expired on April 30, 2018. The Center extended the lease through April 30, 2023. The agreement provides for monthly rent ranging from \$17,288 to \$18,713. The lease also provides that the Center pay real estate taxes, certain maintenance expenses, insurance and certain other operating expenses applicable to the leased premises. In April 2018, the Center entered into a second lease agreement effective May 1, 2018 for its general office in downtown St. Louis, Missouri. The agreement provides for monthly rent set at \$1,500, with the lease expiring on April 30, 2021.

At June 30, 2019, the approximate future minimum rental commitments required under these operating leases are as follows:

<u>Years Ended</u> <u>June 30,</u>	<u>Amount</u>
2020	\$230,305
2021	231,551
2022	220,882
2023	<u>187,126</u>
Total	<u><u>\$869,864</u></u>

Rental expense amounted to \$369,297 for the year ended June 30, 2019.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Q. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Center receives revenue from contracts, federal grants, and grants and contributions with and without donor restrictions, and considers all contracts, grants and contributions, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center maintains financial assets, consisting of cash, various receivables and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. The Center maintains a board designated quasi endowment established with the intention of retaining the corpus and building income to be used to fund a portion of the operating costs or to fund major capital project initiatives.

The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2019:

Cash and cash equivalents	\$ 707,610
Accounts receivable, net	423,972
Contracts receivable	545,377
Grants receivable	2,889,344
Contributions receivable	220,161
Investments	<u>10,724,213</u>

Total financial assets	<u>15,510,677</u>
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Less amounts not available or expected
to be used within one year:

Long-term portion of grants receivable	850,000
Board designated scholarship fund	66,703
Board designated quasi endowment	10,724,213
Donor-restricted perpetual in nature	<u>42,585</u>

Total financial assets not available or expected to be used within one year	<u>11,683,501</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,827,176</u>
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As described in Note O, the Center also has a committed line of credit in the amount of \$800,000, which it could draw upon in the event of an unanticipated liquidity need.

In addition, although the Center does not intend to spend from its board designated quasi endowment, amounts from its board designed quasi endowment could be made available for operating costs if necessary.



December 3, 2019

To the Board of Directors and Management
Parents as Teachers National Center, Inc.

Re: Reissuance of the June 30, 2019 Schedule of Expenditures of Federal Awards,
Single Audit and Uniform Guidance Reports

The following is a reissuance of the Schedule of Expenditures of Federal Awards for Parents as Teachers National Center, Inc. for the year ended June 30, 2019. Subsequent to our original issuance of this report dated October 2, 2019 it has come to our attention that there were funds passed through the Missouri Department of Health and Senior Services from the U.S. Department of Health and Human Services that were identified as Catalog of Federal Domestic Assistance ("CFDA") number 93.870 Maternal, Infant and Early Childhood Home Visiting Program that were not included on the Schedule of Expenditures of Federal Awards.

Additional compliance procedures have been performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

A copy of this reissued report should be provided with the audit of the financial statements of Parents as Teachers National Center, Inc. for the year ended June 30, 2019 should any additional copies of the audit be requested.

Very truly yours,

SCHMERSAHL TRELOAR & CO.

PARENTS AS TEACHERS NATIONAL CENTER, INC.

**SINGLE AUDIT AND THE
UNIFORM GUIDANCE REPORTS
JUNE 30, 2019**

Parents as Teachers National Center, Inc.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Parents as Teachers National Center, Inc.
St. Louis, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Parents as Teachers National Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parents as Teachers National Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parents as Teachers National Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Parents as Teachers National Center, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parents as Teachers National Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Parents as Teachers National Center, Inc.'s Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Schmeissahl Treloard & Co., PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri
December 3, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Parents as Teachers National Center, Inc.
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited Parents as Teachers National Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Parents as Teachers National Center, Inc.'s major federal programs for the year ended June 30, 2019. Parents as Teachers National Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Parents as Teachers National Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Parents as Teachers National Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Parents as Teachers National Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Parents as Teachers National Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matter

As discussed in Note D to Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of Federal Awards was restated to include \$518,146 of CFDA number 93.870 Maternal, Infant and Early Childhood Home Visiting Program expenditures. This adjustment resulted in additional federal awards under this major program. The compliance audit of these additional federal awards was completed on December 3, 2019.

Report on Internal Control over Compliance

Management of Parents as Teachers National Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Parents as Teachers National Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Parents as Teachers National Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Parents as Teachers National Center, Inc. as of and for the year ended June 30, 2019, and have issued our report thereon dated October 2, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Schmehl Treloar & Co., PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri

October 2, 2019, except for our report on the schedule of expenditures of federal awards described in the other matter paragraph as to which the date is December 3, 2019

Parents as Teachers National Center, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Restated)
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures 2019
U.S. Department of Health and Human Services			
Maternal, Infant and Early Childhood Home Visiting Program - WY	93.870	N/A	* \$ 1,508,460
Passed through Missouri Department of Health and Senior Services			
Maternal, Infant and Early Childhood Home Visiting Program - MO	93.870	DH1712A0001	* 286,075
	93.870	CS190371001	* 232,071
Healthy Tomorrows Partnership for Children Program	93.110	N/A	<u>46,264</u>
Total U.S. Department of Health and Human Services			<u>2,072,870</u>
Total Expenditures of Federal Awards			<u>\$ 2,072,870</u>

*Tested as a major program

See accompanying notes to schedule of expenditures of federal awards

Parents as Teachers National Center, Inc.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, for the year ended June 30, 2019, includes the federal grant activity of Parents as Teachers National Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of Parents as Teachers National Center, Inc., it is not intended to and does not present the financial position or changes in net assets of Parents as Teachers National Center, Inc.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. OTHER UNIFORM GUIDANCE INFORMATION

For the year ended June 30, 2019, the Organization had no expenditures in the form of noncash assistance, had no federally provided insurance in effect, and had no loans or loan guarantees outstanding. The Organization has agreed to an indirect cost rate in which the election to use the 10% de minimis indirect cost rate has not been made.

D. RESTATEMENT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REISSUANCE OF THE SINGLE AUDIT AND UNIFORM GUIDANCE REPORTS

The Organization has restated its original Schedule to report expenditures for funds passed through the Missouri Department of Health and Senior Services from the U.S. Department of Health and Human Services that were identified as Catalog of Federal Domestic Assistance ("CFDA") number 93.870 Maternal, Infant and Early Childhood Home Visiting Program totaling \$518,146.

As a result, additional compliance procedures have been performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, the related Single Audit and Uniform Guidance reports were reissued.

Parents as Teachers National Center, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Section 1 – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Are any significant deficiencies identified?	<u> </u> Yes	<u> X </u> None Reported
Is any noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards:

Internal control over major federal programs:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major federal programs: unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No
Identification of major federal programs:		
<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>	
93.870	Maternal, Infant and Early Childhood Home Visiting Program	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as a low-risk auditee?	<u> X </u> Yes	<u> </u> No

Parents as Teachers National Center, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019
(Continued)

Section 2 – Financial Statement Findings

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Summary Schedule of Current Audit Findings:

U.S. Department of Health and Human Services

2019-001 Maternal, Infant and Early Childhood Home Visiting Program – CFDA 93.870

Grant Number: DH1712A0001 & CS190371001

Grant Period – Year ended September 29, 2019

Material Weakness

Financial Reporting - Schedule of Expenditures of Federal Awards

Condition:

The Organization did not include funds for the stated program in the Schedule of Expenditures of Federal Awards passed through from the Missouri Department of Health and Senior Services.

The Organization is responsible for designing and implementing internal controls that provide reasonable assurance regarding the reliability of financial reporting including the Schedule of Expenditures of Federal Awards. These controls should ensure that financial events are identified properly and presented completely. Our audit identified a deficiency in internal control that limited the Organization's ability to produce a reliable Schedule of Expenditures of Federal Awards. Because of the effect on the Organization's financial reporting, we consider this a material weakness.

Criteria:

All expenditures of federal awards should be included on the Schedule of Expenditures of Federal Awards including awards passed through state agencies.

Cause:

The Organization was not aware the contracts with the Missouri Department of Health and Senior Services were required to be reported as a federal source and subject to the Single Audit.

Effect:

Not accurately reporting the federal awards could cause the major program determination to be incorrect leading to an inaccurate single audit, cause the Organization to be identified as a high risk auditee for Single Audit purposes, and potentially lose or have future awards reduced.

Parents as Teachers National Center, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019
(Continued)

Section 2 – Financial Statement Findings (Continued)

Context:

The Organization was notified by the Missouri Department of Health and Senior Services that the federal awards were incorrectly excluded from the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend that the Organization strengthen internal control over the preparation of the Schedule of Expenditures of Federal Awards. The Organization should review the Uniform Guidance, guidelines from the Missouri Department of Health and Senior Services, and all contracts for state and federal awards. This should allow the Organization to ensure that all federal awards are reported for each grant received from a pass through agency.

Views of Responsible Officials and Planned Corrective Actions:

The Organization agrees with the finding and has put procedures in place to review the details of each contract in place to ensure all federal awards are properly included on the Schedule of Expenditures of Federal Awards.

Summary Schedule of Prior Audit Findings:

None

Parents as Teachers National Center, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019
(Continued)

Section 3 – Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Summary Schedule of Current Audit Findings:

None

Summary Schedule of Prior Audit Findings:

None

Parents as Teachers National Center, Inc.
2228 Ball Drive
St. Louis, Missouri 63146

CORRECTIVE ACTION PLAN
Year Ended June 30, 2019

Parents as Teachers National Center, Inc. (the "Organization") respectfully submits the following corrective action plan for the year ended June 30, 2019. Schmersahl Treloar & Co., PC 10805 Sunset Office Drive, Suite 400, St. Louis Missouri 63127, is the independent public accounting firm that performed the audit dated October 2, 2019.

The finding from the 2019 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule:

FINDING – FINANCIAL REPORTING

Finding Type: Material Weakness

Finding No. 2019-001: Schedule of Expenditures of Federal Awards

Recommendation: We recommend that the Organization strengthen internal control over the preparation of the Schedule of Expenditures of Federal Awards. The Organization should review the Uniform Guidance, guidelines from the Missouri Department of Health and Senior Services, and all contracts for state and federal awards. This should allow the Organization to ensure that all federal awards are reported for each grant received from a pass through agency.

Responsible Official: Christie Olden, CPA, CFE, Vice President and Chief Financial Officer

Corrective Action Plan: The Organization agrees with the finding and the recommendation. Procedures are now in place to review the details of each contract to ensure all federal awards are included on the Schedule of Expenditures of Federal Awards. The Chief Financial Officer will review the contracts, guidance, and final Schedule of Expenditures of Federal Awards before it is completed and provided to the independent auditor.

Date of Completion: Immediately