PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2020

Parents as Teachers National Center, Inc.

CONTENTS

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

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, 2020, 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.

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 Parents as Teachers National Center, Inc. as of June 30, 2020, 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 of America.

Report on Summarized Comparative Information

We have previously audited Parents as Teachers National Center, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of Parents as Teachers National Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parents as Teachers National Center, Inc.'s internal control over financial reporting and compliance.

Schmersahl Treloar & Co.

St. Louis, Missouri
September 29, 2020

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2020	June 30, 2019
CURRENT ASSETS		
Cash and cash equivalents	$ 3,368,863	$ 707,610
Accounts receivable, net	251,532	423,972
Contracts receivable	497,747	451,981
Grants receivable	1,487,400	2,132,740
Contributions receivable	39,438	220,161
Inventory	207,235	206,266
Prepaid expenses	424,687	237,204
Total Current Assets	6,276,902	4,379,934
GRANTS RECEIVABLE, NONCURRENT	-	850,000
PROPERTY AND EQUIPMENT, NET	390,113	948,392
INVESTMENTS	10,368,508	10,724,213
TOTAL ASSETS	$ 17,035,523	$ 16,902,539

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,194,020	$ 1,176,691
Note payable, current portion	607,516	-
Deferred revenues	308,185	528,497
Total Current Liabilities	2,109,721	1,705,188
NOTE PAYABLE	768,284	-
Total Liabilities	2,878,005	1,705,188
NET ASSETS		
Without donor restrictions		
Net investment in property and equipment	390,113	948,392
Board designated scholarship fund	66,834	66,703
Board designated quasi endowment	10,368,508	10,724,213
Available for general use	924,871	945,900
Total Net Assets without Donor Restrictions	11,750,326	12,685,208
With donor restrictions		
Perpetual in nature	42,585	42,585
Purpose restrictions	1,465,169	587,400
Time-restricted for future periods	899,438	1,882,158
Total Net Assets With Donor Restrictions	2,407,192	2,512,143
Total Net Assets	14,157,518	15,197,351
TOTAL LIABILITIES AND NET ASSETS	$ 17,035,523	$ 16,902,539

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(With Summarized Financial Information For The Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT				
Contracts	$ 1,786,304	$ -	$ 1,786,304	$ 1,949,310
Federal grants	2,601,832	-	2,601,832	2,072,870
Grants and contributions	200,682	1,768,165	1,968,847	3,286,120
Total Support	4,588,818	1,768,165	6,356,983	7,308,300
REVENUES				
Recertification and affiliation fees	3,803,805	-	3,803,805	3,681,607
Training and consulting fees	2,702,499	-	2,702,499	3,439,680
Conference	820,922	-	820,922	623,638
Reimbursed service costs	234,377	-	234,377	388,465
Sales of materials	137,542	-	137,542	125,542
Miscellaneous income	41,651	-	41,651	28,881
Total Revenues	7,740,796	-	7,740,796	8,287,813
NET ASSETS RELEASED FROM RESTRICTIONS	1,873,116	(1,873,116)	-	-
Total Support and Revenue	14,202,730	(104,951)	14,097,779	15,596,113
EXPENSES				
Program services	11,234,187	-	11,234,187	10,950,596
Management and general	2,872,109	-	2,872,109	2,484,828
Fund development	217,272	-	217,272	231,356
Total Expenses	14,323,568	-	14,323,568	13,666,780
Change in Net Assets from Operations	(120,838)	(104,951)	(225,789)	1,929,333
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(458,470)	-	(458,470)	-
INVESTMENT RETURN, NET OF FEES	(355,574)	-	(355,574)	364,056
Change in Net Assets	(934,882)	(104,951)	(1,039,833)	2,293,389
NET ASSETS, Beginning of year	12,685,208	2,512,143	15,197,351	12,903,962
NET ASSETS, End of year	$ 11,750,326	$ 2,407,192	$ 14,157,518	$ 15,197,351

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Summarized Financial Information For The Year Ended June 30, 2019)

	2020									2019
	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	$ 1,860,458	$ 1,714,546	$ 566,746	$ 1,322,920	$ 317,374	$ 5,782,044	$ 1,860,164	$ 181,885	$ 7,824,093	$ 7,384,806
Professional and contracted services	322,432	720,586	433,847	1,461,013	239,745	3,177,623	623,681	9,083	3,810,387	3,249,254
International conference	535	922	473	-	577,189	579,119	1,171	4,200	584,490	678,199
Travel	340,666	94,948	14,697	53,931	1,670	505,912	37,976	1,350	545,238	718,651
Cost of goods sold	261,666	2,124	3,142	121,910	90,320	479,162	-	-	479,162	557,245
Occupancy	93,262	83,832	37,101	113,585	18,817	346,597	89,563	9,502	445,662	464,288
Depreciation	26,192	23,582	10,479	26,204	5,246	91,703	70,503	2,622	164,828	110,230
Bank and credit card fees	19,279	17,455	7,200	18,685	4,812	67,431	24,093	1,918	93,442	93,247
Print, copy and video production	14,906	4,238	600	1,200	28,162	49,106	1,244	477	50,827	30,807
Office supplies and non-capital equipment	5,164	7,617	1,542	6,239	1,376	21,938	24,693	623	47,254	59,164
Board expenses	-	-	-	-	556	556	45,522	556	46,634	61,477
Facilities	10,576	11,185	1,049	3,045	1,960	27,815	16,781	1,765	46,361	58,186
Dues and subscriptions	389	120	53	8,291	3,575	12,428	22,515	463	35,406	19,751
Telephone	4,698	6,711	555	15,541	985	28,490	5,545	600	34,635	30,485
Miscellaneous	292	824	288	878	3,013	5,295	20,065	312	25,672	37,785
Postage and shipping	10,469	849	266	304	644	12,532	5,758	325	18,615	20,109
Equipment	3,492	4,995	1,236	2,940	620	13,283	3,225	377	16,885	17,478
Advertisement	1,318	1,187	527	1,319	11,014	15,365	1,253	132	16,750	3,770
Software fees	2,238	2,375	5,640	2,198	515	12,966	2,388	220	15,574	21,603
Temporary services	-	-	-	-	-	-	11,097	-	11,097	33,754
Staff development	290	4,532	-	-	-	4,822	2,017	862	7,701	16,491
Bad debt expense	-	-	-	-	-	-	2,855	-	2,855	-
	$ 2,978,322	$ 2,702,628	$ 1,085,441	$ 3,160,203	$ 1,307,593	$ 11,234,187	$ 2,872,109	$ 217,272	$ 14,323,568	$ 13,666,780

See accompanying notes to financial statements

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

	Years Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	($ 1,039,833)	$ 2,293,389
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	164,828	110,230
Loss on disposal of property and equipment	458,470	-
Net realized and unrealized loss (gain) on investments	651,452	(44,480)
Inventory obsolescence write-off	109	4,828
Bad debt expense	2,855	-
(Increase) decrease in assets:		
Accounts receivable, net	169,585	(114,089)
Contracts receivable	(45,766)	193,256
Grants receivable	1,495,340	(1,979,101)
Contributions receivable	180,723	(139,863)
Inventory	(1,078)	110
Prepaid expenses	(187,483)	155,962
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	17,329	34,885
Deferred revenues	(220,312)	23,295
Net Change in Cash from Operating Activities	1,646,219	538,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(960,130)	(3,693,771)
Proceeds from sale of investments	664,383	3,374,358
Purchase of property and equipment	(65,019)	(326,216)
Net Change in Cash from Investing Activities	(360,766)	(645,629)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	1,375,800	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,661,253	(107,207)
CASH AND CASH EQUIVALENTS, Beginning of year	707,610	814,817
CASH AND CASH EQUIVALENTS, End of year	$ 3,368,863	$ 707,610
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ -	$ -

See accompanying notes to financial statements

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Subsequent to May 2014, the FASB issued six ASU to clarify certain matters related to Topic 606.

Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Center's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded. Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made (Topic 958-605).* This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

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, 2019, from which the summarized information was derived.

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

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.

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. At June 30, 2020, the amount in excess of insured limits was approximately $3,400,000. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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

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, 2020.

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.

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

Revenue and Revenue Recognition

The Center recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measureable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

Contributions are recognized when a donor makes a promise to give to the Center 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 as net assets released from restrictions. Adoption of ASU 2018-08 had no impact on the recognition of contributions.

Conference

Conference revenue from ticket sales and sponsorships that relate to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met. Adoption of Topic 606 had no impact on the recognition of conference revenue.

Grants, Contracts and Federal Grants

A portion of the Center's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contacts or grant provisions. In some instances, the adoption of ASU 2018-08 impacted the recognition of grants, contracts and Federal grant revenue. See Note P.

Program Service Fees

Program service fees are recorded as performance obligations are met. Payments received in advance are deferred until earned. Adoption of Topic 606 had no impact on the recognition of program services fees.

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 Statement 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 Statements of Financial Position approximate fair values due to the short-term maturities of those instruments. In addition, the Center believes that the carrying amount of long-term debt approximates fair value due to the relative similarity of the effective interest rates as compared to current market rate.

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 2017 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.

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

Reclassification

Certain fiscal year 2019 amounts have been reclassified to conform with the fiscal year 2020 financial statement presentation.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 29, 2020, 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 4,100 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2019 through June 30, 2020.

Affiliations and Program Support – The number of Parents as Teacher ("PAT") affiliates at June 30, 2020 was 1,015 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.

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

Description of Program Services and Supporting Activities *(Continued)*

Program Services *(Continued)*

General Program –

Curriculum Development – Work this year includes the continual updating of the online Foundational Curriculum to include the development of new parent handouts in modified reading level and visual versions. New resources for the field include the family engagement book, Engaged, and multiple resources related to virtual service delivery.

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, Missouri, and Texas 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.

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 \$3,992,968, exchange traded products totaling \$2,393,192, money market funds totaling \$364,623, municipal bonds totaling \$2,574,216, US treasury securities totaling \$199,996 and certificates of deposit totaling \$843,513. These investments have a total fair value of \$10,368,508. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2020, a net realized and unrealized loss of \$651,452 was recorded to adjust the investments to fair value.

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.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Mutual Funds	$ 3,992,968	$3,992,968	$ -	$ -
Exchange Traded Products	2,393,192	2,393,192	-	-
Money Market Funds	364,623	364,623	-	-
Municipal Bonds	2,574,216	-	2,574,216	-
US Treasury Securities	199,996	199,996	-	-
Certificates of Deposit	843,513	843,513	-	-
Total	$10,368,508	$7,794,292	$2,574,216	$ -

E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020:

Office furniture and equipment	$1,371,905
Leasehold improvements	271,879
	1,643,784
Less: accumulated depreciation	(1,253,671)
Total Property and Equipment, Net	$ 390,113

Depreciation amounted to $164,828 for the year ended June 30, 2020.

F. NOTE PAYABLE

On April 15, 2020, the Center was granted a loan in the amount of $1,375,800 from Commerce Bank, pursuant to the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under certain circumstances, all or part of the loan may be forgiven and recognized as a grant.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per annum, with a deferral of payments for the first six months. Commencing November 15, 2020, the Center is required to make a combined interest and principal payment monthly in the amount of $77,440. As of June 30, 2020, the outstanding balance of the loan was $1,375,800. The Center believes they have spent the funds on eligible expenses and will be working with their lender to begin the forgiveness application process.

The maturities of note payable as of June 30, 2020, if not forgiven, are:

Year	Amount
2021	$ 607,516
2022	768,284
	$1,375,800

G. 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 $10,368,508 for the year ended June 30, 2020.

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 $66,834 for the year ended June 30, 2020.

H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2020:

Subject to purpose restrictions:	
Heising Simons Foundation - RR-VHV	$ 925,770
Kellogg Foundation - RR-VHV	100,000
Missouri Foundation for Health - Healthy Tomorrows	83,998
The Steven and Susan Lipstein Foundation - Show Me Strong Families	82,821
Episcopal Health Foundation - Connect Texas	74,954
Heising Simons Foundation - National Alliance Home Visiting	60,000
Pritzker Children's Initiative	50,000
PNC Foundation (FY21)	15,000
Saigh Foundation	10,000
John Ferring Inter Vivos Trust	10,000
Deaconess Foundation - Show Me Strong Families Advocacy	9,889
Stupp Foundation (FY21) Show Me Strong Families	8,500
Goldstein Family Foundation (FY19) Show Me Strong Families	6,536
Allen P. and Josephine B. Green Foundation - Austism	5,530
Deaconess - CDA	5,000
Deaconess - COVID 19	5,000
St. Louis Book Fair	4,400
Trio (FY21) Show Me Strong Families Books and Literacy Group Connections	3,959
Community Impact Network (2) Show Me Strong Families	3,000
Simon Foundation	675
Generate Health/Flourish Covid 19	137
	1,465,169
Subject to passage of time:	
For periods after June 30,	
The Ballmer Group Foundation	850,000
Edward Jones	10,000
Athena Software	5,000
Roy Investments	5,000
Individual Contributions	29,438
	899,438
Subject to the Organization's spending policy and appropriation:	
Original donor-restricted gift amount and amount requred to be maintainted by donor	42,585
Total	$ 2,407,192

I. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions are as follows for the year ended June 30, 2020:

Purpose restrictions accomplished:	
Heising Simons Foundation - RR-VHV	$ 204,230
Missouri Foundation for Health - Infant Mortality Reduction Initiative	196,853
Missouri Foundation for Health - Healthy Tomorrows Community Connections	57,380
Heising Simons Foundation - Home Visiting Collaborative, Fiscal Sponsor	56,988
Anonymous - MOPATA	48,387
Episcopal Health Foundation - Connect Texas	37,373
Youthbridge - Missouri Child Development Accounts	35,000
Goldstein Family Foundation (FY20)	23,464
Heising Simons Consulting for National Alliance Home Visiting Models Initiative	23,000
Opportunity Trust - Missouri Child Development Accounts	20,000
The Steven and Susan Lipstein Foundation - Show Me Strong Families	17,179
Simon Foundation - Developmental Screenings	16,825
Allen P. and Josephine B. Green Foundation - Austism	8,470
Stupp Foundation (FY 20) - Show Me Strong Familiers	8,466
Generate Health/Flourish Covid 19	4,863
Goldstein Family Foundation (FY19) Show Me Strong Families	4,089
Trio (FY21) Show Me Strong Families Books and Literacy	3,541
Deaconess Foundation - Show Me Strong Families Advocacy	3,486
Trio Foundation (FY 20) Show Me Strong Families	3,024
Community Impact Network (1) Show Me Strong Families	3,000
Autism Speaks	840
	776,458
Time restrictions expired:	
The Ballmer Group	850,000
Centene Foundation	125,000
W. K. Kellogg Foundation	25,000
Centene Foundation	24,000
Individual Contributions	18,158
Steven F. Roy Investments Inc.	9,000
PNC Foundation	8,500
Athena Software	5,000
Enterprise Bank and Trust	5,000
Bezos Family Foundation	5,000
RBO Print Logistix	5,000
Moneta Group	2,500
TWIGA Foundation	2,500
Sonesta Extended Stay Suites	2,500
Commerce Bank	2,500
Goldman Sachs	2,500
Saba Software	2,500
Bryan Cave Leighton Paisner	1,000
Fifth Third Bank	1,000
	1,096,658
Total Net Assets Released from Restrictions	$ 1,873,116

J. GRANTS AND CONTRIBUTIONS WITH DONOR RESTRICTIONS

The Center's grants and contributions support for the year ended June 30, 2020 is as follows:

Heising Simons Foundation - RR-VHV	$ 1,130,000
Episcopal Health Foundation - Connect Texas	112,327
Kellogg Foundation - RR-VHV	100,000
Heising Simons Foundation - Home Visiting Collaborative, Fiscal Sponsor	60,000
Pritzker Children's Initiative	50,000
Youthbridge - Missouri Child Development Accounts	35,000
Goldstein Family Foundation (FY20) Show Me Strong Families	30,000
W. K. Kellogg Foundation	25,000
Heising Simons Consulting for National Alliance Home Visiting Models Initiative	23,000
Opportunity Trust - Missouri Child Development Accounts	20,000
Simon Foundation - Developmental Screenings	17,500
PNC Foundation (FY21)	15,000
Steven F. Roy Investments Inc.	14,000
Saigh Foundation - Show Me Strong Families	10,000
Edward Jones	10,000
John Ferring Inter Vivos Trust - Missouri Child Development Account	10,000
PNC Foundation	8,500
Stupp Foundation (FY 20) - Show Me Strong Families	8,500
Trio (FY21) Show Me Strong Families Books and Literacy Group Connections	7,500
Deaconess - Missouri Child Development Account	5,000
Generate Health/Flourish Covid 19	5,000
Deaconess COVID-19	5,000
RBO Print Logistix	5,000
Bezos Family Foundation	5,000
Athena Software	5,000
St. Louis Book Fair	4,400
Community Impact Network (1) Show Me Strong Families	3,000
Community Impact Network (2) Show Me Strong Families	3,000
TWIGA Foundation	2,500
Sonesta Extended Stay Suites	2,500
Saba Software	2,500
Goldman Sachs	2,500
Bryan Cave Leighton Paisner	1,000
Fifth Third Bank	1,000
Individual Contributions	29,438
	$ 1,768,165

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, 2020.

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.

K. ENDOWMENT FUNDS *(Continued)*

Spending Policy: The Board designated Quasi Endowment funds were 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, 2020.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Assets
Board designated endowment funds	$10,368,508	$ -	$10,368,508

Changes in endowment net assets as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$10,724,213	$ -	$10,724,213
Interest and dividends, net of fees	295,747	-	295,747
Net depreciation (realized and unrealized)	(651,452)	-	(651,452)
Amounts appropriated for operations	-	-	-
Endowment net assets, end of year	$10,368,508	-	$10,368,508

L. CONTRACTS

The Center's contract support for the year ended June 30, 2020 is as follows:

Bureau of Indian Education	$ 1,119,518
Normandy Schools Collaborative	536,666
Texas Department of Family and Protective Services	107,491
St. Louis County Children's Service Fund	22,629
Total	$ 1,786,304

M. FEDERAL GRANTS

The Center's federal grants support for the year ended June 30, 2020 is as follows:

U.S. Department of Health and Human Services	
Maternal, Infant and Early Childhood Home Visiting Program - WY	$ 1,724,920
Passed through Missouri Department of Health and Senior Services	
Maternal, Infant and Early Childhood Home Visiting Program	551,594
Passed through Texas Department of Family and Protective Services	
Maternal, Infant and Early Childhood Home Visiting Program	169,930
Healthy Tomorrows Partnership for Children Program	50,000
Passed through The Curators of the University of Missouri	
National Center for Advancing Translational Sciences	18,000
Passed through The Washington University	
Diabetes, Digestive, and Kidney Diseases Extramural Research	35,887
Cardiovascular Disease Research	51,501
Total U.S. Department of Health and Human Services	2,601,832
Total Federal Grants	$ 2,601,832

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 did not occur in fiscal year 2020. The Center's contribution to the plan for the year ended June 30, 2020 was $157,415.

O. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of monthly LIBOR (0.37% at June 30, 2020) plus 2.25%, with no floor. Outstanding principal and interest are payable December 18, 2020. There was no outstanding balance at June 30, 2020. Certain investment accounts are pledged as collateral.

P. CONDITIONAL GRANTS

The Center has received a conditional promise to give for the project: Infants Deserve Protection from Preventable Disease. The promise to give is subject to the Center meeting certain conditions for the operation and performance of the project. The conditional promise to give at June 30, 2020 that was not recognized in the financial statements was $162,404.

The Center has received a conditional promise to give for the project: Promoting Infant Vitality. The promise to give is subject to the Center meeting certain conditions for the operation and performance of the project. The conditional promise to give at June 30, 2020 that was not recognized in the financial statements was $45,647.

Q. LITIGATION

The Center is involved in litigation related to the cancellation of the national convention due to the effect of the Covid-19 pandemic. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Center.

R. 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.

R. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *(Continued)*

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, 2020:

Cash and cash equivalents	$ 3,368,863
Accounts receivable, net	251,532
Contracts receivable	497,747
Grants receivable	1,487,400
Contributions receivable	39,438
Investments	10,368,508
Total financial assets	16,013,488
Less amounts not available or expected to be used within one year:	
Board designated scholarship fund	66,834
Board designated quasi endowment	10,368,508
Donor-restricted perpetual in nature	42,585
Total financial assets not available or expected to be used within one year	10,477,927
Financial assets available to meet cash needs for general expenditures within one year	$ 5,535,561

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.

S. 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.

S. LEASE AGREEMENTS *(Continued)*

At June 30, 2020, the approximate future minimum rental commitments required under these operating leases are as follows:

Years Ended June 30,	Amount
2021	$231,551
2022	220,882
2023	187,126
Total	$639,559

Rental expense amounted to $362,224 for the year ended June 30, 2020.

T. SUBSEQUENT EVENT

As the spread of the COVID-19 coronavirus continues worldwide, economic uncertainties have arisen that are likely to impact the Center's financial results. While management expects this impact to be temporary, the severity and duration of the impact is uncertain at this time.

PARENTS AS TEACHERS NATIONAL CENTER, INC.

SINGLE AUDIT AND THE
UNIFORM GUIDANCE REPORTS
JUNE 30, 2020

Parents as Teachers National Center, Inc.

CONTENTS

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

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, 2020, 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 September 29, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Parents as Teachers National Center, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parents as Teachers National Center, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schmersahl Treloar & Co.

St. Louis, Missouri
September 29, 2020

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

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, 2020. 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, 2020.

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, 2020, and have issued our report thereon dated September 29, 2020, 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.

Schmersahl Treloar & Co.

St. Louis, Missouri
September 29, 2020

Parents as Teachers National Center, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Sub-Recipients		Federal Expenditures
U.S. Department of Health and Human Services					
Maternal, Infant and Early Childhood Home Visiting Program - WY	93.870	N/A	$ 1,032,436	*	$ 1,724,920
Passed through Missouri Department of Health and Senior Services					
Maternal, Infant and Early Childhood Home Visiting Program	93.870	DH1712A0001	-	*	216,192
	93.870	CS190371001	-	*	335,402
Passed through Texas Department of Family and Protective Services					
Maternal, Infant and Early Childhood Home Visiting Program	93.870	530-17-0049-00001	-	*	169,930
CFDA Total			1,032,436		2,446,444
Healthy Tomorrows Partnership for Children Program	93.110	N/A	-		50,000
Passed through The Curators of the University of Missouri					
National Center for Advancing Translational Sciences	93.350	C00064152-1	-		18,000
Passed through The Washington University					
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	WU-20-22-MOD-1	-		35,887
Cardiovascular Disease Research	93.837	WU-20-94	-		51,501
Total passed through The Washington University			-		87,388
Total U.S. Department of Health and Human Services			1,032,436		2,601,832
Total Expenditures of Federal Awards			$ 1,032,436		$ 2,601,832

*Tested as a major program

See accompanying notes to schedule of expenditures of federal awards

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule"), for the year ended June 30, 2020, includes the federal grant activity of Parents as Teachers National Center, Inc. (the "Center") and is presented on the accrual basis of accounting. The information in the 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 the Center, it is not intended to and does not present the financial position or changes in net assets of the Center.

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, 2020, the Center had no expenditures in the form of noncash assistance, had no federally provided insurance in effect, and had no loans or loan guarantees outstanding. Expenditures on the Schedule include payments to sub-recipients. The Center has agreed to an indirect cost rate in which the election to use the 10% de minimis indirect cost rate has not been made.

Parents as Teachers National Center, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section 1 – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	____ Yes	__X__ No
Are any significant deficiencies identified?	____ Yes	__X__ None reported
Is any noncompliance material to financial statements noted?	____ Yes	__X__ No

Federal Awards:

Internal control over major federal programs:

Are any material weaknesses identified?	____ Yes	__X__ No
Are any significant deficiencies identified?	____ Yes	__X__ 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)?	____ Yes	__X__ No
Identification of major federal programs:		
CFDA Number(s)	Name of federal program or cluster	
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?	____ Yes	__X__ No

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:

None

Summary Schedule of Prior 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

Condition:
Parents as Teachers National Center, Inc. (the "Center") 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 Center 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 Center's ability to produce a reliable Schedule of Expenditures of Federal Awards. Because of the effect on the Center's financial reporting, we consider this a material weakness.

Recommendation:
We recommend that the Center strengthen internal control over the preparation of the Schedule of Expenditures of Federal Awards. The Center 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 Center to ensure that all federal awards are reported for each grant received from a pass through agency.

Current Status:
Management has implemented the internal control recommendations over preparation of the Schedule of Expenditures of Federal Awards and the finding has been resolved.

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

Current Finding Number	Comment	Corrective Action Plan	Anticipated Date of Completion
None reported			