PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2010

Parents as Teachers National Center, Inc.

CONTENTS

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Parents as Teachers National Center, Inc., a not-for-profit organization, (the "Center") as of June 30, 2010 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's June 30, 2009 financial statements and, in our report dated September 25, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The 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, 2009, from which the summarized information was derived.

Schowalter Trelow & Co., PC

September 30, 2010
St. Louis, Missouri

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2010	June 30, 2009
CURRENT ASSETS		
Cash and cash equivalents	$3,684,380	$2,898,479
Accounts receivable (net of allowance for doubtful accounts)	787,716	490,386
Contracts receivable	330,313	134,070
Grants receivable	95,730	205,421
Unconditional promises to give	158,820	218,505
Inventory	329,523	375,515
Prepaid expenses	61,067	66,525
Total Current Assets	5,447,549	4,388,901
INVESTMENTS	3,185,226	2,854,921
PROPERTY AND EQUIPMENT, net of depreciation	280,284	324,766
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT	108,180	107,978
TOTAL ASSETS	$9,021,239	$7,676,566

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 595,876	$ 651,052
Deferred revenues	148,505	1,132,912
Total Current Liabilities	744,381	1,783,964
NET ASSETS		
Unrestricted		
Board designated quasi endowment	3,185,226	2,854,921
Board designated scholarship fund	65,595	65,393
Undesignated	4,816,704	2,562,415
Total Unrestricted Net Assets	8,067,525	5,482,729
Temporarily restricted	166,748	367,288
Permanently restricted	42,585	42,585
Total Net Assets	8,276,858	5,892,602
TOTAL LIABILITIES AND NET ASSETS	$9,021,239	$7,676,566

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
(With Summarized Financial Information For The Year Ended June 30, 2009)

	2010					2009
	Unrestricted					
	Operations	Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT						
Contracts						
Missouri Department of Elementary and Secondary Education	$ 269,186	$ -	$ -	$ -	$ 269,186	$ 498,136
Other sources	8,055,998	-	-	-	8,055,998	3,747,193
Federal grants	511,087	-	-	-	511,087	516,097
Contributions	300,018	-	312,500	-	612,518	1,069,030
Total Support	9,136,289	-	312,500	-	9,448,789	5,830,456
REVENUES AND GAINS						
Training and consulting fees	1,415,482	-	-	-	1,415,482	1,316,188
Sales of materials	1,227,321	-	-	-	1,227,321	1,109,838
Miscellaneous income	5,494	-	-	-	5,494	258,757
International conference	321,435	-	-	-	321,435	41,755
Recertification and affiliation fees	375,970	-	-	-	375,970	357,880
Total Revenues and Gains	3,345,702	-	-	-	3,345,702	3,084,418
NET ASSETS RELEASED FROM RESTRICTIONS	513,040	-	(513,040)	-	-	-
Total Support, Revenues, and Gains	12,995,031	-	(200,540)	-	12,794,491	8,914,874
EXPENSES						
Program services	8,604,242	-	-	-	8,604,242	6,469,128
Management and general	1,870,263	-	-	-	1,870,263	1,503,000
Fundraising	275,723	-	-	-	275,723	250,547
Total Expenses	10,750,228	-	-	-	10,750,228	8,222,675
Change in Net Assets from Operations	2,244,803	-	(200,540)	-	2,044,263	692,199
INVESTMENT RETURN	9,688	330,305	-	-	339,993	(761,936)
Change in Net Assets	2,254,491	330,305	(200,540)	-	2,384,256	(69,737)
NET ASSETS, Beginning of year	2,627,808	2,854,921	367,288	42,585	5,892,602	5,962,339
NET ASSETS, End of year	$ 4,882,299	$ 3,185,226	$ 166,748	$ 42,585	$ 8,276,858	$ 5,892,602

See accompanying notes to financial statements

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

	Years Ended June 30, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,384,256	($ 69,737)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	62,763	68,216
Unrealized (gain) loss on investments	(266,744)	879,482
Realized loss (gain) on investments	6,456	(41,598)
Loss on disposal of property and equipment	4,513	3,453
(Increase) decrease in assets:		
Accounts receivable	(297,330)	396,515
Contracts receivable	(196,243)	192,033
Grants receivable	109,691	22,910
Unconditional promises to give	59,685	(218,505)
Inventory	45,992	366,276
Prepaid expenses	5,458	(60,076)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(55,176)	184,008
Deferred revenues	(984,407)	877,553
Net Change in Cash from Operating Activities	878,914	2,600,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(195,445)	(822,255)
Proceeds from sale of investments	125,226	753,075
Purchases of property and equipment	(22,794)	(6,306)
Net Change in Cash from Investing Activities	(93,013)	(75,486)
NET CHANGE IN CASH AND CASH EQUIVALENTS	785,901	2,525,044
CASH AND CASH EQUIVALENTS, Beginning of year	2,898,479	373,435
CASH AND CASH EQUIVALENTS, End of year	$ 3,684,380	$ 2,898,479
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 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of Parents as Teachers National Center (the "Center").

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 three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

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, 2009, from which the summarized information was derived.

Cash and Cash Equivalents

For purposed 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 and Grants Receivable

Accounts, contracts and grants 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. An allowance for doubtful accounts of $30,000 has been recorded at June 30, 2010.

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

Inventory

Inventory is carried at average cost.

Investments

Investments are carried at fair market value, as determined from quoted market prices.

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 ten years. Expenditures for repairs and maintenance are charged to expenses as incurred.

Deferred Revenues

Deferred revenues consist of training fees paid in advance for training institutes which have not occurred as of year end and annual affiliation fees paid for the upcoming year.

Restricted and Unrestricted Support and Revenue

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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.

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.

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

Financial Instruments

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

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 30, 2010, 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 help parents be their children's best first teachers. The Center's programs are:

Training – The number of Parents as Teacher ("PAT") programs at June 30, 2010 was 3,232 in 50 states, District of Columbia, U.S. Territories and 7 foreign countries. Parent educators/supervisors/early childhood professionals trained in either core training or professional development offerings from July 1, 2009 through June 30, 2010 were 8,102. The number of trainings and institutes (online and face to face) held July 1, 2009 through June 30, 2010 were 449.

International Conference – Annual meeting for parent educators to share information and receive additional training. Workshops, speakers, and meals are provided to those in attendance.

Certification – Linking state leaders with the Center and assuring PAT programs and parent educators meet the Center's standards.

Curriculum Development – Includes Supporting Care Providers through Personal Visits (revision), Research and Quality Booklet (revision), and Nutrition & Fitness for the Preschool Age Child (new).

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

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

Program Services (Continued)

Research – Includes developing collaborative relationships with university researchers, supporting the design of new research studies, and communicating research findings with the field. In addition, the department develops resources for program evaluation and outcomes measurement, analyzes and disseminates Born to Learn annual program report data, and evaluates Parents as Teachers National Center products and services.

Heroes at Home – Working with families throughout pregnancy up to Kindergarten entry, the Parents as Teachers Heroes at Home program helps military parents learn to develop secure attachments and encourage their children's development so they will learn, grow and develop to realize their full potential. The Heroes at Home program provided military families with voluntary home visits, group meetings, developmental screenings and referrals to other installations and community resources. The Contract supported 80 parent educators at 36 Department of Defense sites in the United States—24 Army, 4 Air Force, 3 Navy, 3 Marine Corps, and 2 National Guard.

Special Programs – Includes general program support and various other projects.

Outreach – PAT information packets were sent to 50 states, District of Columbia and 7 foreign countries. Those requesting information were parents, social service agencies, schools, legislators, childcare providers, program administrators, pediatricians and grandparents.

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.

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

Expense Allocation

Salaries and related expenses are charged to program services and supporting activities on the basis of time sheets prepared each pay period. Functional expense allocations are calculated based on the head count for each of the program services, management and general, and fundraising activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

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

Tax Status

The Center constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

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 state-wide 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 $3,038,782 and money market funds totaling $146,444. These investments have a cost of $3,389,274 and a fair value of $3,185,226. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2010, an unrealized gain of $266,744 was recorded to adjust the investments to fair value. Assets designated/restricted for permanent investments of $108,180 consist of money market funds.

Interest and dividends and gains or losses reported as investment return on the statement of activities consist of the following:

Interest and dividends	$ 79,705
Unrealized gain on investments	266,744
Realized loss on investments	(6,456)
Investment Return	$339,993

C. INVESTMENTS *(Continued)*

The investment balance at June 30, 2010 of $3,185,226 makes up the Board Designated Quasi Endowment. These board designated net assets have been set aside for future operational purposes to cover cash flow and operational deficits 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. During the year ended June 30, 2010 the Board approved no operational transfers.

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. has no Level 2 or Level 3 assets.

E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2010:

Office furniture and equipment	$749,491
Leasehold improvements	218,283
	967,774
Less accumulated depreciation and amortization	(687,490)
	$280,284

Depreciation and amortization charged against revenues amounted to $62,763 for the year ended June 30, 2010.

F. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of LIBOR (0.35% at June 30, 2010) plus 2.25%, with a floor of 3%. Outstanding principle and interest are payable October 29, 2010. There was no outstanding balance at June 30, 2010. Certain investment accounts are pledged as collateral. There was no interest expense for the year ended June 30, 2010.

G. GRANTS AND CONTRACTS – MISSOURI DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

The DESE grant provides funding for initial certification and recertification of Parent Educators in Missouri school districts. Major activities include the following:

- Supplementing PAT training for Missouri school districts
- Approving parent educators for DESE certification
- Maintaining records on all parent educators in Missouri
- Developing and field testing PAT curriculum and program adaptations
- Producing a newsletter and other PAT publications
- Coordinating evaluation studies of the PAT program
- Disseminating findings at state/national conferences and meetings
- Planning and conducting state/national conference activities.

DESE grant and contract support is funded through Missouri sources (General Revenue, Hard-To-Reach, Excellence in Education and State School Money's Fund).

An additional contract, "PATNC Special Needs Scholarship," in the amount of $24,997 was received from DESE in 2010, all of which was expended at June 30, 2010.

H. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Bank of America Charitable Foundation – Support for new curriculum development	$ 10,000
Boeing – Fostering Early Development and Learning	43,836
Express Scripts Foundation – Expansion of communications and technology infrastructure	52,672
General Mills – Expansion of services in North Minneapolis neighborhoods	16,470
GWB School of Social Work – Training for Early Childhood Connections	3,385
McKnight Foundation – Support for expanding Minnesota services	40,385
Total	$166,748

Permanently restricted net assets consist of contributions to the Mildred Winter Scholarship Fund, the earnings from which will be used to support trainees attending PAT programs.

Net assets were released from donor-imposed restrictions as follows:

Aaron Foundation – Funding the dissemination of the Parents as Teachers Nutrition and Fitness for Infants and Toddlers curriculum	$ 29,773
Boeing – Work with St. Louis City families	51,781
Express Scripts Foundation – Expansion of communications and technology infrastructure	47,329
Phileona Foundation – Expansion of services	64,830
Minneapolis Foundation (Prudential Fund) – Prudential Neighborhood Partnership Fund for capacity building in Minneapolis	1,440
Norman J. Stupp Foundation – Support for revamping and updating Born to Learn certification training	10,000
McKnight Foundation – Support for expanding Minnesota services	62,880
Opus – Screening training and distribution of manuals	33,355
Minnesota Early Learning Foundation – Twin Cities services	6,952
HealthCare Foundation of Greater Kansas City – Supporting parental intervention in preventing obesity in pre-school age children programs	63,036
General Mills Foundation – Expansion of services in North Minneapolis neighborhoods	10,000
3M – Parent Engagement Training in Minnesota	7,500
Annie Casey Foundation – Support of the 3-Year Strategic Plan	48,000
Roblee Foundation – Spanish Translation of 3-K Parent Handouts	7,500
World of Children – Revisions and distributions of Supporting Care Providers through Personal Visits (SCPV) curriculum	10,000
Balance Carried Forward	**$454,376**

H. NET ASSETS *(Continued)*

Balance Brought Forward	**$454,376**
Deaconess Foundation – Support of the MO Business Summit	5,000
Children's Trust Fund – Support of the MO Business Summit	5,000
Mildred Simon Foundation – Support of the general operating fund	20,000
Boeing – Fostering Early Development and Learning	6,164
PNC Foundation – Support for charitable, scientific, literacy, and educational purposes	5,000
Commerce Bank – Support for Money Matters booklets	2,500
BJC HealthCare (Children's Hospital) – Support for Block Fest	10,000
Missouri Coordinating Board for Early Childhood – Support of the MO Business Summit	5,000
Total	**$513,040**

I. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2010 consists of:

Boeing – Fostering Early Development and Learning	$ 50,000
McKnight Foundation – Support for Minnesota services	60,000
General Mills Foundation – expansion of services in North Minneapolis neighborhoods	35,000
Children's Trust Fund – Support of the MO Business Summit	5,000
Mildred Simon Foundation – Support of the general operating fund	20,000
Norman J. Stupp Foundation – Support for revamping and updating Born to Learn certification training	10,000
PNC Foundation – Support for charitable, scientific, literacy, and educational purposes	5,000
Express Scripts Foundation – Expansion of communications and technology infrastructure	100,000
Commerce Bank – Support for Money Matters booklets	2,500
Bank of America Charitable Foundation – Support for new curriculum development	10,000
BJC HealthCare (Children's Hospital) – Support of Block Fest	10,000
Missouri Coordinating Board for Early Childhood – Support of the MO Business Summit	5,000
Total	**$312,500**

J. CONTRACTS – OTHER SOURCES

The Center's contracts from other sources for the year ended June 30, 2010 are as follows:

Heroes at Home	$6,722,399
BIE Contract	701,550
Ohio Department of Health	522,312
United Way – ELCBP (Atlanta)	105,737
Pacer – Minnesota	4,000
Total	$8,055,998

K. FEDERAL GRANTS

The Center's contracts from federal grants for the year ended June 30, 2010 are as follows:

U.S. Department of Education	
Fund for the Improvement of Education	$ 91,154
Passed-through LIFT – Missouri Parent Information and Resource Centers	165,673
Total U.S. Department of Education	256,827
U.S. Department of Health and Human Services	
Promoting Responsible Fatherhood	243,395
Passed-through Goodwill/Easter Seals Minnesota Promoting Responsible Fatherhood	10,865
Total U.S. Department of Health and Human Services	254,260
Total Federal Grants	$511,087

L. 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's contribution to the plan for the year ended June 30, 2010 was 5% of eligible compensation or $133,973.

M. LEASE AGREEMENTS

In May 2002, the Center entered into a lease for its operating facilities in St. Louis, Missouri, which expires April 30, 2012. The agreement provides for monthly rentals ranging from $26,862 to $29,256. 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 May 2006, the Center entered into a lease for office space in Minneapolis, Minnesota which expired May 31, 2009. The agreement provided for monthly rentals beginning at $1,815, subject to change based upon square footage occupied and the lessor's operating costs. This lease was verbally extended for two months to July 31, 2009 to allow the Center to secure a replacement lease with the East Side Neighborhood Services, Inc.

On June 24, 2009, the Center executed a two-year lease for office space in Minneapolis, Minnesota with the East Side Neighborhood Services, Inc. commencing on August 1, 2009 and ending on July 31, 2011. First and second year rent payments are $1,107 and $1,140 per month, respectively.

Rent expense amounted to $401,347 and $417,014 in 2010 and 2009, respectively.

At June 30, 2010, the approximate future minimum rental commitments required under these noncancelable operating leases are as follows:

Year Ended	PATNC, St. Louis	Minneapolis, Minnesota	Total
June 30, 2011	$351,071	$13,647	$364,718
June 30, 2012	292,559	1,140	293,699
Total	$643,630	$14,787	$658,417

SUPPLEMENTARY INFORMATION

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

**Independent Auditors' Report
on Supplementary Information**

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Schmersahl Treloar & Co., PC
September 30, 2010

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Parents as Teachers National Center, Inc.
SCHEDULE OF EXPENSES
For the Year Ended June 30, 2010
(With Summarized Financial Information For The Year Ended June 30, 2009)

	2010								2009
	Training	Research	General Program	Outreach	Total Program Services	Management and General	Fund-raising	Total	Total
Payroll, payroll taxes and benefits	$ 1,184,985	$ 118,223	$ 3,652,012	$ 210,723	$ 5,165,943	$ 1,118,719	$ 133,294	$ 6,417,956	$ 4,440,468
Advertisement	168	19	2,729	6,461	9,377	488	22	9,887	28,742
Bad debt expense	-	-	-	-	-	145,197	-	145,197	-
Bank, investment and credit card fees	13,025	19	926	4,655	18,625	7,112	22	25,759	22,062
Board expenses	-	-	-	-	-	20,419	-	20,419	20,739
Cost of goods sold	373,802	111	34,764	65,241	473,918	-	-	473,918	616,079
Depreciation and amortization	8,159	941	44,436	1,444	54,980	6,716	1,067	62,763	68,216
Dues and subscriptions	6,763	18	2,385	206	9,372	13,208	20	22,600	8,532
Equipment	6,569	755	34,763	1,197	43,284	5,360	857	49,501	38,043
International conference	44,301	5,014	239,521	5,213	294,049	40,832	5,683	340,564	58,714
Miscellaneous	6,081	54	1,491	354	7,980	18,985	2,060	29,025	58,152
Occupancy	62,314	7,128	328,408	11,798	409,648	50,649	8,138	468,435	492,466
Office supplies and non-capital equipment	7,660	105	11,216	651	19,632	13,133	874	33,639	95,074
Postage and shipping	36,481	54	8,937	23,160	68,632	6,254	9,099	83,985	64,213
Print, copy and video production	8,201	318	10,315	50,279	69,113	16,498	34,745	120,356	86,766
Professional and contracted services	345,871	10,255	525,057	193,516	1,074,699	254,106	31,766	1,360,571	1,303,855
Program, library and research materials	67,446	7	172,527	56	240,036	-	-	240,036	176,524
Scholarship expense	-	-	-	-	-	220	-	220	495
Software fees	7,304	473	21,005	985	29,767	26,767	1,284	57,818	51,678
Staff development	32	-	283	289	604	1,128	-	1,732	1,375
Telephone	13,539	1,575	76,519	2,287	93,920	13,907	1,681	109,508	38,919
Temporary services	-	-	13,164	-	13,164	64,469	-	77,633	33,962
Training facilities	16,902	362	29,795	468	47,527	9,890	45,111	102,528	70,827
Travel	132,686	1,654	324,635	997	459,972	36,206	-	496,178	446,774
	$ 2,342,289	$ 147,085	$ 5,534,888	$ 579,980	$ 8,604,242	$ 1,870,263	$ 275,723	$ 10,750,228	$ 8,222,675

See accompanying independent auditors' report on supplementary information