PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2012

Parents as Teachers National Center, Inc.

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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, 2012, and the related statements 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, 2011 financial statements and, in our report dated September 22, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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* 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, 2011, from which the summarized information was derived.

Schmersahl Treloar & Co., PC

September 27, 2012
St. Louis, Missouri

FINANCIAL STATEMENTS

Parents as Teachers National Center, Inc.

STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30, 2012	June 30, 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 1,172,234	$ 3,190,327
Accounts receivable, net of allowance	256,813	423,471
Contracts receivable	213,270	123,068
Grants receivable	1,610,489	2,443,778
Unconditional promises to give	24,545	111,784
Inventory	333,430	311,381
Prepaid expenses	39,142	79,606
Total Current Assets	3,649,923	6,683,415
INVESTMENTS	6,978,453	5,068,141
PROPERTY AND EQUIPMENT, net of depreciation	580,167	573,947
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT	107,940	107,759
TOTAL ASSETS	$11,316,483	$12,433,262

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,216,117	$ 888,055
Deferred revenues	338,844	250,777
Total Current Liabilities	1,554,961	1,138,832
NET ASSETS		
Unrestricted		
Board designated quasi endowment	6,303,453	5,068,141
Board designated scholarship fund	65,355	65,174
Undesignated	1,776,466	3,624,901
Total Unrestricted Net Assets	8,145,274	8,758,216
Temporarily restricted	1,573,663	2,493,629
Permanently restricted	42,585	42,585
Total Net Assets	9,761,522	11,294,430
TOTAL LIABILITIES AND NET ASSETS	$11,316,483	$12,433,262

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(With Summarized Financial Information For The Year Ended June 30, 2011)

	2012					2011
	Unrestricted					
	Operations	Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT						
Contracts						
Missouri Department of Elementary and Secondary Education	$ 174,606	$ -	$ -	$ -	$ 174,606	$ 148,379
Other sources	848,857	-	-	-	848,857	2,282,838
Federal grants	2,695,060	-	-	-	2,695,060	2,068,964
Contributions	104,265	-	709,078	-	813,343	3,427,428
Total Support	3,822,788	-	709,078	-	4,531,866	7,927,609
REVENUES AND GAINS						
Training and consulting fees	2,151,820	-	-	-	2,151,820	1,534,287
Sales of materials	203,778	-	-	-	203,778	580,569
Reimbursed service costs	339,105	-	-	-	339,105	220,435
Miscellaneous income	26,957	-	-	-	26,957	14,040
International conference	200,167	-	-	-	200,167	235,713
Recertification and affiliation fees	543,026	-	-	-	543,026	322,778
Total Revenues and Gains	3,464,853	-	-	-	3,464,853	2,907,822
NET ASSETS RELEASED FROM RESTRICTIONS	1,629,044	-	(1,629,044)	-	-	-
Total Support, Revenues, and Gains	8,916,685	-	(919,966)	-	7,996,719	10,835,431
EXPENSES						
Program services	7,809,392	-	-	-	7,809,392	6,616,939
Management and general	1,796,445	-	-	-	1,796,445	1,806,643
Fundraising	160,334	-	-	-	160,334	127,756
Total Expenses	9,766,171	-	-	-	9,766,171	8,551,338
Change in Net Assets from Operations	(849,486)	-	(919,966)	-	(1,769,452)	2,284,093
TRANSFERS	(1,000,000)	1,000,000	-	-	-	-
INVESTMENT RETURN	1,232	235,312	-	-	236,544	733,479
Change in Net Assets	(1,848,254)	1,235,312	(919,966)	-	(1,532,908)	3,017,572
NET ASSETS, Beginning of year	3,690,075	5,068,141	2,493,629	42,585	11,294,430	8,276,858
NET ASSETS, End of year	$ 1,841,821	$ 6,303,453	$ 1,573,663	$ 42,585	$ 9,761,522	$ 11,294,430

See accompanying notes to financial statements

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

	Years Ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	($ 1,532,908)	$ 3,017,572
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	157,129	50,213
Unrealized (gain) on investments	(113,495)	(631,659)
Realized loss (gain) on investments	2,108	(7,796)
Loss on disposal of property and equipment	1,872	1,590
Bad debt expense	19,250	40,898
Donated Securities	(7,094)	(8,124)
(Increase) decrease in assets:		
Accounts receivable	147,408	323,347
Contracts receivable	(90,202)	207,245
Grants receivable	833,289	(2,348,048)
Unconditional promises to give	87,239	47,036
Inventory	(22,049)	18,142
Prepaid expenses	40,464	(18,539)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	328,062	292,179
Deferred revenues	88,067	102,272
Net Change in Cash from Operating Activities	(60,860)	1,086,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,099,160)	(1,392,274)
Proceeds from sale of investments	307,148	157,359
Purchases of property and equipment	(165,221)	(345,466)
Net Change in Cash from Investing Activities	(1,957,233)	(1,580,381)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,018,093)	(494,053)
CASH AND CASH EQUIVALENTS, Beginning of year	3,190,327	3,684,380
CASH AND CASH EQUIVALENTS, End of year	$ 1,172,234	$ 3,190,327
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 (the "Center") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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, 2011, from which the summarized information was derived.

Cash and Cash Equivalents

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

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

Accounts, Contracts 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. The Organization has an allowance for doubtful accounts of $30,000 at June 30, 2012.

Inventory

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

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

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. 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.

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.

Reclassification

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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 27, 2012, 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") affiliates at June 30, 2012 was 2,279 in 50 states, District of Columbia, U.S. Territories and 7 foreign countries. There were 7,386 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2011 through June 30, 2012.

Conference – Annual meeting for parent educators to share information, receive additional training, attend workshops and listen to speakers.

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

Curriculum Development – Work this year included revisions to the Foundational and Model Implementation Guides, creation of an online Autism course and on-site Life Skills Progression training and revision of the Teen and School Transition curricula.

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 Affiliate Performance Report data, and evaluates Parents as Teachers.

Investing In Innovations (i3) - The purpose of the i3 grant is to replicate BabyFACE, the home-based services of the successful Family And Child Education (FACE) program in 22 Bureau of Indian Education (BIE) schools. BabyFACE serves high-needs American Indian families with children ages prenatal to 3 years. Services to families include home-visits, routine health and developmental screenings for the children, parent group meetings, and resource referrals as needed. Families will receive weekly or bi-weekly visits from certified parent educators. A significant amount of contributions were received in 2011 to fund this program for several years and are reflected in temporarily restricted net assets.

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

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.

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.

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

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.

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 Organization files an information return, IRS Form 990.

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 Organization related to the tax filings.

B. CHANGE IN ACCOUNTING POLICY – REIMBURSED SERVICE COSTS

During 2012, the Center changed its policy regarding the recording of reimbursed service costs by other organizations. Previously these reimbursed costs had been recorded as a reduction of the related expenses. The new policy treats these reimbursed costs as any other cost in providing a service. The costs incurred are recorded separately as the appropriate expense and the amount reimbursed to the Center is recorded as revenue.

The revenues and costs associated with this policy are travel, trainer salaries, and shipping and handling.

Revenue from reimbursed travel expenses included in Reimbursed Service Costs on the Statement of Activities amounted to $211,080 and $128,927 in 2012 and 2011, respectively.

Revenue from reimbursed trainer salaries included in Reimbursed Service Costs on the Statement of Activities amounted to $101,293 and $67,479 in 2012 and 2011, respectively.

Revenue from reimbursed shipping and handling costs included in Reimbursed Service Costs on the Statement of Activities amounted to $26,732 and $24,029 in 2012 and 2011, respectively.

C. 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.

D. INVESTMENTS

Investments consist of mutual funds totaling $6,156,970, certificates of deposit totaling $675,000, and money market funds totaling $146,483. These investments have a cost of $6,493,208 and a fair value of $6,978,453. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2012, an unrealized gain of $113,495 was recorded to adjust the investments to fair value. Assets designated/restricted for permanent investment of $107,940 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	$125,157
Unrealized gain on investments	113,495
Realized loss on investments	(2,108)
Investment Return	$236,544

The investment balance, excluding the certificates of deposit, at June 30, 2012 of $6,303,453 makes up the Board Designated Quasi Endowment. 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. During the year ended June 30, 2012, $1,000,000 was transferred from unrestricted operations to unrestricted Quasi Endowment.

E. 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.

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2012:

Office furniture and equipment	$1,112,868
Leasehold improvements	207,653
	1,320,521
Less accumulated depreciation and amortization	(740,354)
	$ 580,167

Depreciation and amortization charged against revenues amounted to $157,129 for the year ended June 30, 2012.

G. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of monthly LIBOR (0.246% at June 30, 2012) plus 2.25%, with no floor. Outstanding principal and interest are payable October 26, 2012. There was no outstanding balance at June 30, 2012. Certain investment accounts are pledged as collateral. There was no interest expense for the year ended June 30, 2012.

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

The DESE grant provides funding for renewal fees 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
- Planning meeting for state 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).

The amount reported includes an additional contract, "Special Needs Scholarship," in the amount of $24,963, which was received from DESE in 2012 and expended by June 30, 2012.

I. CONTRACTS – OTHER SOURCES

The Center's contracts from other sources for the year ended June 30, 2012 are as follows:

Ohio Dept of Health	$ 100,553
Bureau of Indian Education	748,304
Total	$ 848,857

J. FEDERAL GRANTS

The Center's contracts from federal grants for the year ended June 30, 2012 are as follows:

U.S. Department of Education	
i3 Grant	$ 2,494,667
Fund for the Improvement of Education	76,467
Passed Through LIFT - Missouri	47,150
Passed Through PACER Center	4,000
Total Parent Information and Resource Centers	51,150
Total U.S. Department of Education	2,622,284
U.S. Department of Health and Human Services	
Promoting Responsible Fatherhood	60,765
Passed Through Goodwill/Easter Seals Minnesota Promoting Responsible Fatherhood	12,011
Total U.S. Department of Health and Human Services	72,776
Total Federal Grants	$ 2,695,060

K. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2012 consists of:

Deaconess Foundation - "Starting Points" program, Collinsville, IL	$ 1,000
Boeing Company - Development of training videos	50,000
Employees Community Fund of Boeing St. Louis - Serving vulnerable Illinois families	7,000
Jordan Charitable Foundation - "Life Skills Progression" trainings	4,000
Roblee Foundation - Revision of "Issues in Working with Teen Parents" guide	10,000
General Mills - Support of PAT State office in MN	30,000
I3 - In-Kind Expenses (Enterprise Fleet Management, BIE schools)	607,078
Total	$ 709,078

L. NET ASSETS

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

Monsanto Fund - Support of Block Fest	$ 1,763
Missouri Foundation for Health - Integrating health literacy promotion strategies into the Parents as Teachers (PAT) program.	78,332
Dana Brown Foundation - Training child care providers in the Normandy School District to conduct health and developmental screenings.	5,700
Wal-Mart Foundation - Retraining Missouri PEs in new Parents as Teachers Foundational Curriculum	77,350
Norman J. Stupp Foundation - Retraining in the Foundational Curriculum	8,200
Heising-Simons Foundation - Spanish translation of the Foundational Curriculum	24,036
The John T. Vucurevich Foundation - i3 matching funds. Support of BabyFACE in South Dakota	22,200
W. K. Kellogg Foundation - i3 matching funds. Support of BabyFACE in New Mexico.	172,200
The Annie E. Casey Foundation - i3 matching funds. Support of BabyFACE at 22 sites.	150,857
Rural School and Community Trust - i3 matching funds. Support of BabyFACE at 22 sites.	354,431
Cherokee Preservation Foundation - i3 matching funds. Support of BabyFACE in North Carolina.	54,388
Arizona Community Foundation - i3 matching funds. Support of BabyFACE in Arizona.	25,484
Deaconess Foundation - "Starting Points" program, Collinsville, IL	300
Boeing Company - Development of training videos	31,345
General Mills - Support of PAT State office in MN	15,000
Roblee Foundation - Revision of "Issues in Working with Teen Parents" guide	380
I3 - In-Kind Expenses (Enterprise Fleet Management, BIE schools)	607,078
Total	$ 1,629,044

L. NET ASSETS *(Continued)*

Temporarily restricted net assets are available for the following purposes:

Monsanto Fund - Support of Block Fest	$ 16,607
Missouri Foundation for Health - Integrating health literacy promotion strategies into the Parents as Teachers (PAT) program.	47,117
The John T. Vucurevich Foundation - i3 matching funds. Support of BabyFACE in South Dakota.	75,000
W. K. Kellogg Foundation - i3 matching funds. Support of BabyFACE in New Mexico	300,000
The Annie E. Casey Foundation - i3 matching funds. Support of BabyFACE at 22 sites.	225,000
Rural School and Community Trust - i3 matching funds. Support of BabyFACE at 22 sites	779,964
Cherokee Preservation Foundation - i3 matching funds. Support of BabyFACE in North Carolina.	50,000
Arizona Community Foundation - i3 matching funds. Support of BabyFACE in Arizona.	25,000
Deaconess Foundation - "Starting Points" program, Collinsville, IL	700
Boeing Company - Development of training videos	18,655
Employees Community Fund of Boeing St. Louis - Serving vulnerable Illinois families	7,000
Jordan Charitable Foundation - "Life Skills Progression" trainings	4,000
Roblee Foundation - Revision of "Issues in Working with Teen Parents" guide	9,620
General Mills - Support of PAT State office in MN	15,000
Total	$ 1,573,663

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.

M. 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, 2012 was 5% of eligible compensation or $88,305.

N. LEASE AGREEMENTS

On June 9, 2011, the Center executed a first lease amendment effective March 1, 2011 for its operating facilities in St. Louis, Missouri. This amendment supersedes the lease which was set to expire on April 30, 2012. The new lease expires April 30, 2018. The agreement provides for monthly rentals ranging from $15,514 to $17,288, and no payments in the month of May each year. 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, except for the month of May each year. As of July 1, 2012, the Center executed a two year lease for office space in St. Paul, Minnesota with the Think Small organization. Rent payments will be $300 per month.

At June 30, 2012, the approximate future minimum rental commitments required under these operating leases are as follows:

Year Ended	St. Louis	Minnesota	Total
June 30, 2013	$ 180,411	$3,600	$ 184,011
June 30, 2014	180,854	3,600	184,454
June 30, 2015	185,287	-	185,287
June 30, 2016	185,730	-	185,730
June 30, 2017	190,163	-	190,163
June 30, 2018	172,876	-	172,876
Total	$1,095,321	$7,200	$1,102,521

Rent expense amounted to $274,652 and $380,895 in 2012 and 2011, respectively.

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

We have audited the financial statements of Parents as Teachers National Center, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Schmersahl Treloar & Co, PC

September 27, 2012

(314) 966-2727 • fax (314) 966-6464 • 10805 Sunset Office Drive, Suite 400 • St. Louis, MO 63127 • e-mail: stcpa@stcpa.com

Parents as Teachers National Center, Inc.
SCHEDULE OF EXPENSES
For the Year Ended June 30, 2012
(With Summarized Financial Information For The Year Ended June 30, 2011)

	2012								2011
	Training	Research	General Program	Outreach	Total Program Services	Management and General	Fund-raising	Total	Total
Payroll, payroll taxes and benefits	$ 1,401,840	$ 157,778	$ 314,089	$ 215,134	$ 2,088,841	$ 1,021,974	$ 128,554	$ 3,239,369	$ 3,796,294
Professional and contracted services	278,363	6,547	3,314,822	209,567	3,809,299	287,961	4,214	4,101,474	2,286,385
Cost of goods sold	443,811	61	122,858	39,303	606,033	94	-	606,127	785,590
Travel	359,712	6,939	82,718	1,249	450,618	40,092	21	490,731	448,326
Occupancy	163,860	16,287	31,342	28,224	239,713	125,554	9,400	374,667	471,740
International conference	-	-	-	217,666	217,666	-	-	217,666	211,569
Depreciation and amortization	68,747	7,115	12,497	11,532	99,891	53,399	3,839	157,129	50,213
Office supplies and non-capital equipment	36,349	3,158	2,905	7,631	50,043	49,133	2,079	101,255	33,677
Postage and shipping	29,211	-	14,167	25,549	68,927	18,432	673	88,032	90,493
Print, copy and video production	6,106	362	1,113	47,408	54,989	4,047	8,542	67,578	82,098
Software fees	8,253	742	1,627	1,498	12,120	50,454	624	63,198	43,642
Telephone	18,368	1,663	4,765	2,793	27,589	15,373	947	43,909	39,408
Training facilities	24,556	539	3,264	932	29,291	10,013	310	39,614	67,893
Bank, investment and credit card fees	15,839	777	1,347	11,375	29,338	9,655	414	39,407	19,997
Board expenses	-	-	-	-	-	28,435	-	28,435	23,857
Temporary services	-	-	-	-	-	26,307	-	26,307	17,964
Bad debt expense	-	-	-	-	-	19,250	-	19,250	40,898
Equipment	7,359	740	1,365	1,259	10,723	6,120	419	17,262	16,168
Miscellaneous	476	19	179	406	1,080	14,346	115	15,541	11,335
Dues and subscriptions	818	43	3,194	611	4,666	6,328	108	11,102	7,832
Staff development	775	45	209	356	1,385	9,478	75	10,938	5,959
Advertisement	-	-	-	7,180	7,180	-	-	7,180	-
	$ 2,864,443	$ 202,815	$ 3,912,461	$ 829,673	$ 7,809,392	$ 1,796,445	$ 160,334	$ 9,766,171	$ 8,551,338

See accompanying independent auditors' report on supplementary information