PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2013

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

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, 2013, and the related statements of activities 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. 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 auditor's 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.

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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, 2013, 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 2012 financial statements, and our report dated September 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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 October 8, 2013, 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., P.C.

St. Louis, Missouri
October 8, 2013

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2013	June 30, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 448,038	$ 1,172,234
Accounts receivable, net of allowance	402,396	256,813
Contracts receivable	300,769	213,270
Grants receivable	2,195,861	1,610,489
Unconditional promises to give	26,588	24,545
Inventory	234,761	333,430
Prepaid expenses	55,273	39,142
Total Current Assets	3,663,686	3,649,923
INVESTMENTS	7,654,911	6,978,453
PROPERTY AND EQUIPMENT, net of depreciation	399,751	580,167
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT	104,145	107,940
TOTAL ASSETS	$11,822,493	$11,316,483

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,276,567	$ 1,216,117
Deferred revenues	415,157	338,844
Total Current Liabilities	1,691,724	1,554,961
NET ASSETS		
Unrestricted		
Net investment in property and equipment	399,751	580,167
Board designated quasi endowment	6,979,911	6,303,453
Board designated scholarship fund	61,560	65,355
Available for general use	1,580,462	1,196,299
Total Unrestricted Net Assets	9,021,684	8,145,274
Temporarily restricted	1,066,500	1,573,663
Permanently restricted	42,585	42,585
Total Net Assets	10,130,769	9,761,522
TOTAL LIABILITIES AND NET ASSETS	$11,822,493	$11,316,483

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Summarized Financial Information For The Year Ended June 30, 2012)

	2013					2012
	Unrestricted					
	Operations	Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT						
Contracts	$ 1,065,543	$ -	$ -	$ -	$ 1,065,543	$ 1,023,463
Federal grants	4,797,412	-	-	-	4,797,412	2,695,060
Contributions	161,937	-	754,291	-	916,228	813,343
Total Support	6,024,892	-	754,291	-	6,779,183	4,531,866
REVENUES AND GAINS						
Training and consulting fees	2,234,502	-	-	-	2,234,502	2,131,820
Recertification and affiliation fees	823,996	-	-	-	823,996	563,026
Reimbursed service costs	264,639	-	-	-	264,639	339,105
Conference	258,945	-	-	-	258,945	200,167
Sales of materials	251,933	-	-	-	251,933	203,778
Miscellaneous income	24,278	-	-	-	24,278	26,957
Total Revenues and Gains	3,858,293	-	-	-	3,858,293	3,464,853
NET ASSETS RELEASED FROM RESTRICTIONS	1,261,454	-	(1,261,454)	-	-	-
Total Support, Revenues, and Gains	11,144,639	-	(507,163)	-	10,637,476	7,996,719
EXPENSES						
Program services	8,590,726	-	-	-	8,590,726	7,809,392
Management and general	2,085,066	-	-	-	2,085,066	1,796,445
Fundraising	270,660	-	-	-	270,660	160,334
Total Expenses	10,946,452	-	-	-	10,946,452	9,766,171
Change in Net Assets from Operations	198,187	-	(507,163)	-	(308,976)	(1,769,452)
INVESTMENT RETURN	1,765	676,458	-	-	678,223	236,544
Change in Net Assets	199,952	676,458	(507,163)	-	369,247	(1,532,908)
NET ASSETS, Beginning of year	1,841,821	6,303,453	1,573,663	42,585	9,761,522	11,294,430
NET ASSETS, End of year	$ 2,041,773	$ 6,979,911	$ 1,066,500	$ 42,585	$ 10,130,769	$ 9,761,522

See accompanying notes to financial statements

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

	Years Ended June 30, 2013	Years Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 369,247	($ 1,532,908)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	180,416	157,129
Unrealized (gain) on investments	(362,435)	(113,495)
Realized (gain) loss on investments	(147,379)	2,108
Loss on disposal of property and equipment	-	1,872
Bad debt expense	9,572	19,250
Donated securities	(1,405)	(7,094)
(Increase) decrease in assets:		
Accounts receivable	(155,155)	147,408
Contracts receivable	(87,499)	(90,202)
Grants receivable	(585,372)	833,289
Unconditional promises to give	(2,043)	87,239
Inventory	98,669	(22,049)
Prepaid expenses	(16,131)	40,464
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	60,450	328,062
Deferred revenues	76,313	88,067
Net Change in Cash from Operating Activities	(562,752)	(60,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,783,025)	(2,099,160)
Proceeds from sale of investments	1,621,581	307,148
Purchases of property and equipment	-	(165,221)
Net Change in Cash from Investing Activities	(161,444)	(1,957,233)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(724,196)	(2,018,093)
CASH AND CASH EQUIVALENTS, Beginning of year	1,172,234	3,190,327
CASH AND CASH EQUIVALENTS, End of year	$ 448,038	$ 1,172,234
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, 2012, 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 Center has an allowance for doubtful accounts of $30,000 at June 30, 2013.

Inventory

Inventory consists of core training and professional development materials of the Center. 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.

Net Asset Classification

Unrestricted Net Assets represent those net assets whose use is not restricted by donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net Investment in Property and Equipment represents unrestricted net assets consisting of property and equipment of the Center.

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.

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

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

Net Asset Classification *(Continued)*

Temporarily Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or removed by actions of the Center pursuant to those stipulations.

Permanently Restricted Net Assets represent those net assets whose use has been limited by donor imposed stipulations that they must be maintained in perpetuity.

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.

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.

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.

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)*

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.

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.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through, October 8, 2013, 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 – There were 6,400 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2012 through June 30, 2013.

Affiliations – The number of Parents as Teacher ("PAT") affiliates at June 30, 2013 was 1,633 in 50 states, District of Columbia, U.S. Territories and 6 foreign countries.

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.

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 included the continual updating of the online Foundational Curriculum as well as revisions to the Foundational Training Guide and Model Implementation Guide, creation of an online course around model fidelity and revision of the Partnering with Teen Parents training and book, *"So Now What?"*.

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 to share information, receive additional training, attend workshops and listen to speakers.

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.

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 $6,833,403, certificates of deposit totaling $675,000, and money market funds totaling $146,508. These investments have a cost of $6,807,231 and a fair value of $7,654,911. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2013, an unrealized gain of $362,435 was recorded to adjust the investments to fair value. Assets designated/restricted for permanent investment of $104,145 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 at June 30, 2013:

Interest and dividends	$168,409
Unrealized gain on investments	362,435
Realized gain on investments	147,379
Investment Return	$678,223

The investment balance at June 30, 2013, excluding the certificates of deposit, amounts to $6,979,911, which 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.

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.

E. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2013 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)
December 31, 2013				
Money Market	$ 146,508	$ 146,508	$ -	$ -
Certificates of Deposit	675,000	675,000	-	-
Equity Fund	4,363,102	4,363,102	-	-
Bond Fund	2,470,301	-	2,470,301	-
Total	$7,654,911	$5,184,610	$2,470,301	$ -

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2013:

Office furniture and equipment	$1,065,915
Leasehold improvements	207,653
	1,273,568
Less accumulated depreciation and amortization	(873,817)
	$ 399,751

Depreciation and amortization charged against revenues amounted to $180,416 for the year ended June 30, 2013.

G. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of monthly LIBOR (0.19% at June 30, 2013) plus 2.25%, with no floor. Outstanding principal and interest are payable October 25, 2013. There was no outstanding balance at June 30, 2013. Certain investment accounts are pledged as collateral. There was no interest expense for the year ended June 30, 2013.

H. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

The John T. Vucurevich Foundation - i3 matching funds. Support of BabyFACE in South Dakota.	$ 50,000
W. K. Kellogg Foundation - i3 matching funds. Support of BabyFACE in New Mexico	227,214
The Annie E. Casey Foundation - i3 matching funds. Support of BabyFACE at 22 sites.	150,791
Rural School and Community Trust - i3 matching funds. Support of BabyFACE at 22 sites	555,182
Anonymous - Missouri Technical Assistance Pilot	6,035
Boeing Company - Improving Services for High Risk Families	17,865
Otto Bremer - Assistance to North Dakota and Western Wisconsin programs with high-needs families	50,640
Allen & Josephine Green - Improving Home Visiting Services to High Risk Families in Missouri	4,510
Norman J. Stupp Foundation - Missouri Technical Assistance	4,263
Total	$ 1,066,500

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.

H. NET ASSETS *(Continued)*

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

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	25,000
W. K. Kellogg Foundation - i3 matching funds. Support of BabyFACE in New Mexico.	72,786
The Annie E. Casey Foundation - i3 matching funds. Support of BabyFACE at 22 sites.	74,209
Rural School and Community Trust - i3 matching funds. Support of BabyFACE at 22 sites.	224,782
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 Minnesota	15,000
Anonymous - Missouri Technical Assistance Pilot	68,965
Toyota - "Life Skills Progression" trainings	1,000
Boeing Company - Improving Services for High Risk Families	22,135
Emerson - Educating Parents on School Readiness	25,000
Otto Bremer - Assistance to North Dakota and Western Wisconsin programs with high-needs families	29,360
Allen & Josephine Green - Improving Home Visiting Services to High Risk Families in Missouri	5,490
Tomara Corporation - "Starting Points" program, Collinsville, IL	1,000
Norman J. Stupp Foundation - Missouri Technical Assistance	5,737
United Way of Greater Atlanta - Sponsorship of 2013 National Conference	9,200
i3 - In-Kind Expenses (Enterprise Fleet Management, BIE schools)	503,091
Total	$ 1,261,454

I. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2013 consists of:

Anonymous - Missouri Technical Assistance Pilot	$ 75,000
Toyota - "Life Skills Progression" trainings	1,000
Boeing Company - Improving Services for High Risk Families	40,000
Emerson - Educating Parents on School Readiness	25,000
Otto Bremer - Assistance to North Dakota and Western Wisconsin programs with high-needs families	80,000
Allen & Josephine Green - Improving Home Visiting Services to High Risk Families in Missouri	10,000
Tomara Corporation - "Starting Points" program, Collinsville, IL	1,000
Norman J. Stupp Foundation - Missouri Technical Assistance	10,000
United Way of Greater Atlanta - Sponsorship of 2013 National Conference	9,200
i3 - In-Kind Expenses (Enterprise Fleet Management, BIE schools)	503,091
Total	$ 754,291

J. BOARD DESIGNATED NET ASSETS

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

Quasi Endowment – Established with the intention of allowing the corpus to be retained and the income to build within the account or be used to fund a portion of the operating costs or to fund large capital project initiatives. The Board retains the authority to change the designation of these funds as deemed necessary in the future. The Board designated Quasi Endowment amounted to $6,979,911 for the year ended June 30, 2013.

Scholarship Fund – Established with the intention of utilizing the earnings from the Mildred Winter Scholarship Fund to support trainees attending PAT Programs.

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.

K. **ENDOWMENT FUNDS** *(Continued)*

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 classified as permanently or temporarily restricted net assets at June 30, 2013.

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 short term reserves equivalents between 0% and 10%; growth equities between 55% and 75%; and risk reduction (fixed income) between 20% and 40%.

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.

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

K. ENDOWMENT FUNDS *(Continued)*

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 unrestricted net assets. These deficiencies could result from unfavorable market fluctuations on investment permanently restricted contributions. There were no deficiencies at June 30, 2013 and 2012.

Endowment Net Asset Composition by Type of Fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	$6,979,911	$ -	$ -	$6,979,911

Changes in endowment net assets as of June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$6,303,453	$ -	$ -	$6,303,453
Investment income	166,644	-	-	166,644
Net appreciation	509,814	-	-	509,814
Amounts appropriated for operations	-	-	-	-
Endowment net assets, end of year	$6,979,911	$ -	$ -	$6,979,911

L. CONTRACTS

The Center's contract revenue for the year ended June 30, 2013 is as follows:

Bureau of Indian Education	$ 664,795
Thrive by Five	247,049
Missouri DESE	143,699
Illinois Pilot Projects	10,000
Total	$ 1,065,543

M. FEDERAL GRANTS

The Center's contract revenue from federal grants for the year ended June 30, 2013 is as follows:

U.S. Department of Education	
i3 Grant	$ 3,462,972
Improving Literacy Starts at HOME	1,181,473
Fund for the Improvement of Education	33,020
Total U.S. Department of Education	4,677,465
U.S. Department of Health and Human Services	
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	96,754
Passed Through Goodwill/Easter Seals Minnesota	
Promoting Responsible Fatherhood	23,193
Total U.S. Department of Health and Human Services	119,947
Total Federal Grants	$ 4,797,412

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's contribution to the plan for the year ended June 30, 2013 was 5% of eligible compensation or $101,497.

O. 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. On July 1, 2013, the Center executed a one year lease for office space in St. Paul, Minnesota with the Think Small organization. Rental payments are $300 per month.

At June 30, 2013, the approximate future minimum rental commitments required under these operating leases are as follows:

Year Ended	St. Louis	Minnesota	Total
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	$914,910	$3,600	$918,510

Rental expense amounted to $288,616 for the year ended June 30, 2013.

SUPPLEMENTARY INFORMATION

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Independent Auditors' Report on Additional Information

To the Board of Directors of
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, 2013, and have issued our report thereon dated October 8, 2013, which contained an unmodified 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

St. Louis, Missouri
October 8, 2013

(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, 2013
(With Summarized Financial Information For The Year Ended June 30, 2012)

	2013									2012
	Training	Affiliations	Research	General Program	Outreach	Total Program Services	Management and General	Fund-raising	Total	Total
Professional and contracted services	$ 160,687	$ 354,985	$ 12,404	$ 3,244,703	$ 119,755	$ 3,892,534	$ 279,788	$ 24,104	$ 4,196,426	$ 4,101,474
Payroll, payroll taxes and benefits	1,189,285	644,909	228,519	261,175	264,363	2,588,251	1,350,218	195,075	4,133,544	3,239,369
Cost of goods sold	290,195	259,406	-	163,560	47,845	761,006	-	-	761,006	606,127
Travel	271,532	62,504	3,301	107,728	7,717	452,782	54,864	4,200	511,846	490,731
Occupancy	87,733	67,326	11,888	75,950	21,573	264,470	105,512	12,476	382,458	374,667
International conference	-	-	-	-	199,788	199,788	-	-	199,788	217,666
Depreciation and amortization	46,547	33,738	6,856	16,959	11,907	116,007	57,553	6,856	180,416	157,129
Postage and shipping	40,493	411	474	1,332	33,577	76,287	4,990	8,180	89,457	88,032
Software fees	7,815	5,547	1,917	2,776	2,429	20,484	67,256	1,122	88,862	63,198
Print, copy and video production	6,543	1,731	375	6,768	46,832	62,249	5,542	8,714	76,505	67,578
Facilities	37,916	7,994	862	3,797	3,730	54,299	9,548	4,463	68,310	39,614
Office supplies and non-capital equipment	8,057	7,546	1,016	3,348	2,892	22,859	33,556	1,041	57,456	101,255
Telephone	10,217	9,130	2,156	6,102	2,622	30,227	14,627	1,977	46,831	43,909
Bank, investment and credit card fees	12,094	7,702	1,565	3,872	3,311	28,544	16,191	1,565	46,300	39,407
Board expenses	-	-	-	-	-	-	41,459	-	41,459	28,435
Equipment	4,902	2,884	647	1,601	1,124	11,158	5,796	647	17,601	17,262
Miscellaneous	402	27	6	1,838	63	2,336	14,280	77	16,693	15,541
Bad debt expense	-	-	-	-	-	-	9,572	-	9,572	19,250
Dues and subscriptions	436	116	433	1,290	373	2,648	5,191	95	7,934	11,102
Temporary services	-	-	-	1,709	-	1,709	5,914	-	7,623	26,307
Staff development	465	337	68	169	424	1,463	3,209	68	4,740	10,938
Advertisement	-	-	-	-	1,625	1,625	-	-	1,625	7,180
	$ 2,175,319	$ 1,466,293	$ 272,487	$ 3,904,677	$ 771,950	$ 8,590,726	$ 2,085,066	$ 270,660	$ 10,946,452	$ 9,766,171

See accompanying independent auditors' report on supplementary information