

PARENTS AS TEACHERS NATIONAL CENTER, INC.

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

Parents as Teachers National Center, Inc.

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Parents as Teachers National Center, Inc., a nonprofit organization, (the "Center") which comprise the statement of financial position as of June 30, 2016, and the related statement 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parents as Teachers National Center, Inc. as of June 30, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 5, 2016, 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.



St. Louis, Missouri
October 5, 2016

FINANCIAL STATEMENTS

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

		June 30,	
		2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	2,225,459	\$ 2,835,679
Accounts receivable, net		281,027	215,052
Contracts receivable		549,571	624,143
Grants receivable		927,392	1,789,480
Unconditional promises to give		30,654	29,658
Inventory		206,250	205,560
Prepaid expenses		299,654	257,062
Total Current Assets		4,520,007	5,956,634
PROPERTY AND EQUIPMENT, NET		171,053	192,869
INVESTMENTS		8,993,048	8,607,904
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT		108,870	108,783
TOTAL ASSETS	\$	<u>13,792,978</u>	<u>\$ 14,866,190</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	1,073,395	\$ 1,393,979
Deferred revenues		231,611	702,138
Total Current Liabilities		<u>1,305,006</u>	<u>2,096,117</u>
NET ASSETS			
Unrestricted			
Net investment in property and equipment		171,053	192,869
Board designated scholarship fund		66,285	66,198
Available for general use		2,596,959	3,431,003
Board designated quasi endowment		8,993,048	8,607,904
Total Unrestricted Net Assets		11,827,345	12,297,974
Temporarily restricted		618,042	429,514
Permanently restricted		42,585	42,585
Total Net Assets		<u>12,487,972</u>	<u>12,770,073</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>13,792,978</u>	<u>\$ 14,866,190</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Summarized Financial Information For The Year Ended June 30, 2015)

	2016					2015
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Total
	Operations	Quasi Endowment				
SUPPORT						
Contracts	\$ 1,905,762	\$ -	\$ -	\$ -	\$ 1,905,762	\$ 1,243,390
Federal grants	3,441,380	-	-	-	3,441,380	6,458,168
Contributions	174,571	-	955,150	-	1,129,721	943,950
Total Support	<u>5,521,713</u>	<u>-</u>	<u>955,150</u>	<u>-</u>	<u>6,476,863</u>	<u>8,645,508</u>
REVENUES AND GAINS						
Training and consulting fees	3,304,373	-	-	-	3,304,373	2,632,547
Recertification and affiliation fees	2,996,172	-	-	-	2,996,172	2,501,662
Conference	484,559	-	-	-	484,559	368,724
Reimbursed service costs	259,014	-	-	-	259,014	290,174
Sales of materials	104,827	-	-	-	104,827	156,204
Miscellaneous income	28,612	-	-	-	28,612	3,026
Total Revenues and Gains	<u>7,177,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,177,557</u>	<u>5,952,337</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>766,622</u>	<u>-</u>	<u>(766,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues, and Gains	<u>13,465,892</u>	<u>-</u>	<u>188,528</u>	<u>-</u>	<u>13,654,420</u>	<u>14,597,845</u>
EXPENSES						
Program services	10,456,312	-	-	-	10,456,312	11,346,096
Management and general	3,079,999	-	-	-	3,079,999	2,637,499
Fundraising	336,488	-	-	-	336,488	281,118
Total Expenses	<u>13,872,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,872,799</u>	<u>14,264,713</u>
Change in Net Assets from Operations	(406,907)	-	188,528	-	(218,379)	333,132
INVESTMENT RETURN, NET OF FEES	<u>1,134</u>	<u>(64,856)</u>	<u>-</u>	<u>-</u>	<u>(63,722)</u>	<u>393,251</u>
Change in Net Assets	(405,773)	(64,856)	188,528	-	(282,101)	726,383
NET ASSETS, Beginning of year	<u>3,690,070</u>	<u>8,607,904</u>	<u>429,514</u>	<u>42,585</u>	<u>12,770,073</u>	<u>12,043,690</u>
NET ASSETS, End of year	<u>\$ 3,284,297</u>	<u>\$ 8,543,048</u>	<u>\$ 618,042</u>	<u>\$ 42,585</u>	<u>\$ 12,487,972</u>	<u>\$ 12,770,073</u>

See accompanying notes to financial statements

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

	Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 282,101)	\$ 726,383
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	21,816	91,142
Net realized and unrealized loss (gain) on investments	356,739	(269,185)
Inventory obsolescence write-off	21,035	17,286
Bad debt expense	100	161
(Increase) decrease in assets:		
Accounts receivable, net	(66,075)	76,631
Contracts receivable	74,572	(443,693)
Grants receivable	862,088	69,318
Unconditional promises to give	(996)	4,239
Inventory	(21,725)	(27,565)
Prepaid expenses	(42,592)	(187,741)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(320,584)	(303,392)
Deferred revenues	(470,527)	233,592
 Net Change in Cash from Operating Activities	 <u>131,750</u>	 <u>(12,824)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,801,729)	(7,316,124)
Proceeds from sale of investments	3,059,759	7,195,551
Purchase of property and equipment	<u>-</u>	<u>(35,514)</u>
 Net Change in Cash from Investing Activities	 <u>(741,970)</u>	 <u>(156,087)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 <u>(610,220)</u>	 <u>(168,911)</u>
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>2,835,679</u>	 <u>3,004,590</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 2,225,459</u>	 <u>\$ 2,835,679</u>
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 1,841</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2015, 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, 2016.

Inventory

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

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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 thirty-nine years. Expenditures for repairs and maintenance are charged to expenses as incurred. Purchases under \$5,000 are recorded as expense in the period incurred.

Deferred Revenues

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

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

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

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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.

The Center follows the provisions of Accounting Standards Update 2012-05, *Not-for-profit-Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU 2012-05 provides for classification of each receipt from the sale of donated financial assets consistently with cash donations received in the Statement of Cash Flows if those cash receipts were from the sale of donated financial assets that upon receipt were converted nearly immediately to cash.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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

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.

Tax Status

The Center qualifies as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center does not have unrelated business income, excise taxes or activities that would threaten the Center's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Center files an information return, IRS Form 990. Tax years 2012 and later remain subject to examination by taxing authorities, generally for three years after the returns are filed.

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 5, 2016, 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, Curriculum and Program Innovations – There were 8,848 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2015 through June 30, 2016.

Affiliations and Program Support – The number of Parents as Teacher ("PAT") affiliates at June 30, 2016 was 1,457 in 50 states, District of Columbia, U.S. Territories and 6 foreign countries.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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

Description of Program Services and Supporting Activities (Continued)

Program Services (Continued)

Research and Quality Improvement – This program area includes developing collaborative relationships with university researchers, supporting the design of new research studies, and communicating research findings within the field. In addition, the department develops resources for program evaluation and outcomes measurement, analyzes and disseminates Affiliate Performance Report data, and evaluates Parents as Teachers.

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 and others in the early childhood field to share information, receive additional training, attend workshops and listen to professional speakers and presenters.

Investing In Innovations (i3) – The purpose of the i3 grant is to validate BabyFACE, the former home-based program of the successful Family And Child Education (FACE) program, as an innovative approach to closing the achievement gap and improving student achievement through third grade in American Indian Children. The implementation is in 22 Bureau of Indian Education (BIE) schools where services to families include home-visits, routine health and developmental screenings for the children, parent group meetings, and resource referrals as needed. Although program services ended in September 2015, contributions were received in 2016 to fund the continuation of the program evaluation and are reflected in temporarily restricted net assets.

Special Programs – Includes general program support and various other projects such as a contract with the Normandy Schools Collaborative where the Center administers the program and supervises staff to implement the model and deliver direct services to families; or Wyoming and Oklahoma Maternal Infant and Early Childhood Home Visiting programs where the Center is the nonprofit federal grant recipient that administers, supervises and coordinates the delivery of services by local implementing agencies within the states.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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

Description of Program Services and Supporting Activities (Continued)

Program Services (Continued)

General Program (Continued)

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, corporations and other organizations.

B. **OPERATIONS**

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

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

C. INVESTMENTS

Investments consist of mutual funds totaling \$4,925,889, stocks totaling \$2,196,744, bonds totaling \$957,617, US treasury securities totaling \$100,019, cash totaling \$105,001 and other investments totaling \$707,778. These investments have a cost of \$9,379,127 and a fair value of \$8,993,048. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2016, a net realized and unrealized loss of \$356,739 was recorded to adjust the investments to fair value.

Assets designated/restricted for permanent investment of \$108,870 consist of money market funds.

Interest and dividends, unrealized and realized gains and losses reported as investment return on the Statement of Activities consist of the following at June 30, 2016:

Interest and dividends, net of fees	\$293,017
Net realized and unrealized loss	<u>(356,739)</u>
Investment Return, Net of Fees	<u>(\$ 63,722)</u>

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

D. FAIR VALUE DISCLOSURES

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

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

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

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

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

D. FAIR VALUE DISCLOSURES(Continued)

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, 2016 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)
<u>June 30, 2016</u>				
Mutual Funds	\$4,925,889	\$4,925,889	\$ -	\$ -
Stocks	2,196,744	2,196,744	-	-
Cash	105,001	105,001	-	-
US Treasury Securities	100,019	100,019	-	-
Bonds	957,617	-	957,617	-
Other investments	707,778	707,778	-	-
Total	<u>\$8,993,048</u>	<u>\$8,035,431</u>	<u>\$957,617</u>	<u>\$ -</u>

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Office furniture and equipment	\$1,114,049
Leasehold improvements	<u>224,559</u>
	1,338,608
Less accumulated depreciation	<u>(1,167,555)</u>
	<u>\$ 171,053</u>

Depreciation charged against revenues amounted to \$21,816 for the year ended June 30, 2016.

G. LINE OF CREDIT

The Center has an \$800,000 line of credit bearing a variable interest rate of monthly LIBOR (.47% at June 30, 2015) plus 2.25%, with no floor. Outstanding principal and interest are payable December 23, 2016. There was no outstanding balance at June 30, 2016. Certain investment accounts are pledged as collateral. There was no interest expense for the year ended June 30, 2016.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

H. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Heising Simon Foundation - i3 evaluation	\$ 112,192
W.K. Kellogg Foundation - i3 evaluation	109,010
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	104,109
Hall Family Foundation - Community School Initiative in Kansas City, Missouri	102,266
Missouri Foundation for Health - General Support for Advocacy	78,975
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	53,842
Allen and Josephine Green Foundation - Normandy Schools Collabrative	20,000
Dollar General - FACE literacy	15,000
Joseph and Florence Roblee Foundation - Normandy Schools Collaborative	10,000
Wells Fargo - Normandy Schools Collaborative	5,000
Norman J. Stupp Foundation - Normandy School Collaborative	<u>7,648</u>
Total	<u>\$ 618,042</u>

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

H. **NET ASSETS** (Continued)

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

Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	\$ 145,891
Missouri Foundation for Health - Infant Mortality	14,926
Missouri Foundation for Health - General Support for Advocacy	99,056
Anonymous - Missouri Technical Assistance Pilot	93,654
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	64,717
Boeing Foundation - Improving Services for High Risk Families	60,150
Hall Family Foundation - Community School Initiative in Kansas City, Missouri	40,193
Emerson Charitable Trust - Missouri Programs	37,735
Express Scripts - Normandy Schools Collaborative	25,000
PNC Foundation - Missouri programs	25,000
Trio Foundation - Normandy Schools Collaborative	15,000
Mysun Charitable Foundation - Normandy Parent University	14,500
Saigh Foundation - Normandy Schools Collaborative	12,500
Norman J. Stupp Foundation - Normandy Schools Collaborative	12,352
Dana Brown Charitable Trust - Normandy Schools Collaborative	10,000
Joseph and Florence Roblee Foundation - Normandy Schools Collaborative	10,000
First 5 Monterey County	5,000
Greater St. Louis Bookfair	3,000
i3 - In-Kind Expenses	<u>77,948</u>
Total	<u>\$ 766,622</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

I. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2016 consists of:

Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	\$ 250,000
Missouri Foundation for Health - General Support for Advocacy	150,000
Heising Simon Foundation - i3 evaluation	112,192
W.K. Kellogg Foundation - i3 evaluation	109,010
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	103,000
Express Scripts - Normandy Schools Collaborative	25,000
PNC Foundation - Missouri programs	25,000
Allen and Josephine Green Foundation - Normandy Schools Collaborative	20,000
Joseph and Florence Roblee Foundation - Normandy Schools Collaborative	20,000
Dollar General - FACE literacy	15,000
Trio Foundation - Normandy Schools Collaborative	15,000
Dana Brown Charitable Trust - Normandy Schools Collaborative	10,000
Norman J. Stupp Foundation - Normandy School Collaborative	10,000
First 5 Monterey County	5,000
Wells Fargo - Normandy Schools Collaborative	5,000
Greater St. Louis Bookfair	3,000
i3 - In-Kind Expenses	<u>77,948</u>
Total	<u>\$ 955,150</u>

J. BOARD DESIGNATED NET ASSETS

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

Quasi Endowment – Established with the intention of allowing the corpus to be retained and the income to build within the account or be used to fund a portion of the operating costs or to fund large capital project initiatives. The Board retains the authority to change the designation of these funds as deemed necessary in the future. The Board designated Quasi Endowment amounted to \$8,993,048 for the year ended June 30, 2016.

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

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

K. **ENDOWMENT FUNDS**

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

Effective August 28, 2009, the State of Missouri enacted UPMIFA. UPMIFA requires the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Center classifies as 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, 2016.

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

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

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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, 2016.

Endowment Net Asset Composition by Type of Fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	\$8,993,048	\$ -	\$ -	\$8,993,048

Changes in endowment net assets as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$8,607,904	\$ -	\$ -	\$8,607,904
Contributions	450,000	-	-	450,000
Interest and dividends, net of fees	291,883	-	-	291,883
Net appreciation (realized and unrealized) (	356,739)	-	-	(\$356,739)
Amounts appropriated for operations	-	-	-	-
Endowment net assets, end of year	\$8,993,048	\$ -	\$ -	\$8,993,048

L. **CONTRACTS**

The Center's contract revenue for the year ended June 30, 2016 is as follows:

Bureau of Indian Education	\$ 818,956
Missouri DESE - Right from the Start	501,129
Normandy Schools Collaborative	479,039
St. Louis County Children's Service Fund	74,926
Missouri DESE - Special Needs	17,844
University of Missouri - CYFAR Pilot	13,868
Total	<u>\$ 1,905,762</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

M. FEDERAL GRANTS

The Center's contract revenue from federal grants for the year ended June 30, 2016 is as follows:

U.S. Department of Health and Human Services

Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program - OK	\$ 1,608,594
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program - WY	1,544,109
Healthy Tomorrows Partnership for Children Program	<u>1,763</u>
Total U.S. Department of Health and Human Services	<u>3,154,466</u>

U.S. Department of Education

Investing in Innovations Grant	<u>286,914</u>
Total Federal Grants	<u><u>\$ 3,441,380</u></u>

N. DEFERRED COMPENSATION PLAN

The Center participates in a 401(k) retirement plan for full time staff, which permits eligible employees to contribute a portion of their salaries not to exceed limits set by the Internal Revenue Code. The Center provides up to a 5% matching contribution for all participants making participant contributions. The Center may make an additional discretionary employer contribution up to 2% of all eligible compensation. The Center's contribution to the plan for the year ended June 30, 2016 was \$197,284.

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. 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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

O. **LEASE AGREEMENTS** (Continued)

At June 30, 2016, the approximate future minimum rental commitments required under these operating leases are as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2017	190,163
2018	<u>172,876</u>
Total	<u><u>\$363,039</u></u>

Rental expense amounted to \$324,543 for the year ended June 30, 2016.

**SUPPLEMENTARY
INFORMATION**



SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

**Independent Auditors' Report
on Supplementary 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, 2016, and have issued our report thereon dated October 5, 2016 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.

St. Louis, Missouri
October 5, 2016

Parents as Teachers National Center, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(With Summarized Financial Information For The Year Ended June 30, 2015)

	2016									2015
	Training	Affiliations	Research	General Program	Outreach	Total Program Services	Management and General	Fund- raising	Total	Total
Payroll, payroll taxes and benefits	\$ 1,558,532	\$ 1,371,771	\$ 352,947	\$ 980,775	\$ 431,298	\$ 4,695,323	\$ 1,898,640	\$ 238,247	\$ 6,832,210	\$ 5,631,744
Professional and contracted services	871,376	481,658	22,047	1,980,072	225,423	3,580,576	439,221	59,832	4,079,629	5,998,987
Travel	387,908	119,859	7,875	126,287	23,698	665,627	142,971	6,694	815,292	728,961
Cost of goods sold	360,322	66,507	2,233	101,791	43,866	574,719	5,293	50	580,062	543,537
Occupancy	37,504	26,001	7,567	24,221	9,914	105,207	323,515	5,016	433,738	445,695
International conference	2,879	1,474	1,814	3,896	362,082	372,145	6,488	-	378,633	249,691
Office supplies and non-capital equipment	15,288	36,876	5,874	39,893	9,992	107,923	36,792	3,897	148,612	113,278
Facilities	21,582	23,773	2,177	14,898	3,773	66,203	12,890	1,954	81,047	59,941
Board expenses	601	-	-	-	26,460	27,061	45,238	-	72,299	37,761
Bank, investment and credit card fees	15,725	13,087	3,675	6,125	6,792	45,404	18,681	2,450	66,535	58,643
Temporary services	-	-	-	6,817	7,314	14,131	51,628	-	65,759	60,564
Print, copy and video production	12,756	9,349	1,520	8,509	8,923	41,057	17,306	6,717	65,080	55,335
Telephone	6,337	8,947	2,383	15,592	2,072	35,331	15,845	1,971	53,147	37,946
Postage and shipping	26,399	1,427	107	750	8,357	37,040	8,089	1,748	46,877	52,701
Staff development	3,415	1,889	1,984	6,683	3,797	17,768	23,787	1,073	42,628	10,637
Software fees	5,834	4,768	1,362	2,270	4,010	18,244	10,339	907	29,490	12,743
Dues and subscriptions	444	1,155	4,406	7,293	187	13,485	8,077	2,920	24,482	29,974
Depreciation	5,236	4,581	1,309	2,182	1,745	15,053	5,890	873	21,816	91,142
Equipment	4,940	4,797	1,235	2,058	1,646	14,676	6,189	822	21,687	13,574
Advertisement	-	2,500	-	-	3,683	6,183	1,100	-	7,283	18,944
Miscellaneous	477	1,406	101	1,096	76	3,156	1,920	1,317	6,393	12,754
Bad debt expense	-	-	-	-	-	-	100	-	100	161
	<u>\$ 3,337,555</u>	<u>\$ 2,181,825</u>	<u>\$ 420,616</u>	<u>\$ 3,331,208</u>	<u>\$ 1,185,108</u>	<u>\$ 10,456,312</u>	<u>\$ 3,079,999</u>	<u>\$ 336,488</u>	<u>\$ 13,872,799</u>	<u>\$ 14,264,713</u>

See accompanying independent auditors' report on supplementary information