

PARENTS AS TEACHERS NATIONAL CENTER, INC.

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2017**

Parents as Teachers National Center, Inc.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 20
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information.....	21
Schedule of Functional Expenses.....	22

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, 2017, 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 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 17, 2017, 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.

A handwritten signature in black ink that reads "Schmeissahl Treloar & Co., PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri
October 17, 2017

FINANCIAL STATEMENTS

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

ASSETS		June 30,	
		2017	2016
CURRENT ASSETS			
Cash and cash equivalents	\$	1,269,630	\$ 2,225,459
Accounts receivable, net		267,870	281,027
Contracts receivable		717,146	549,571
Grants receivable		652,450	927,392
Unconditional promises to give		37,754	30,654
Inventory		233,823	206,250
Prepaid expenses		349,659	299,654
Total Current Assets		3,528,332	4,520,007
PROPERTY AND EQUIPMENT, NET		150,407	171,053
INVESTMENTS		9,807,359	8,993,048
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT		108,961	108,870
TOTAL ASSETS	\$	<u>13,595,059</u>	<u>\$ 13,792,978</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	880,166	\$ 1,073,395
Deferred revenues		393,516	231,611
Total Current Liabilities		<u>1,273,682</u>	<u>1,305,006</u>
NET ASSETS			
Unrestricted			
Net investment in property and equipment		150,407	171,053
Board designated scholarship fund		66,376	66,285
Available for general use		1,542,421	2,596,959
Board designated quasi endowment		9,807,359	8,993,048
Total Unrestricted Net Assets		11,566,563	11,827,345
Temporarily restricted		712,229	618,042
Permanently restricted		42,585	42,585
Total Net Assets		<u>12,321,377</u>	<u>12,487,972</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>13,595,059</u>	<u>\$ 13,792,978</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(With Summarized Financial Information For The Year Ended June 30, 2016)

	2017					2016
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Total
	Operations	Quasi Endowment				
SUPPORT						
Contracts	\$ 2,335,303	\$ -	\$ -	\$ -	\$ 2,335,303	\$ 1,905,762
Federal grants	1,912,100	-	-	-	1,912,100	3,441,380
Contributions	170,797	-	810,660	-	981,457	1,129,721
Total Support	4,418,200	-	810,660	-	5,228,860	6,476,863
REVENUES AND GAINS						
Training and consulting fees	3,011,955	-	-	-	3,011,955	3,304,373
Recertification and affiliation fees	3,244,793	-	-	-	3,244,793	2,996,172
Conference	414,515	-	-	-	414,515	484,559
Reimbursed service costs	300,495	-	-	-	300,495	259,014
Sales of materials	146,817	-	-	-	146,817	104,827
Miscellaneous income	43,830	-	-	-	43,830	28,612
Total Revenues and Gains	7,162,405	-	-	-	7,162,405	7,177,557
NET ASSETS RELEASED FROM RESTRICTIONS	716,473	-	(716,473)	-	-	-
Total Support, Revenues, and Gains	12,297,078	-	94,187	-	12,391,265	13,654,420
EXPENSES						
Program services	9,886,408	-	-	-	9,886,408	10,456,312
Management and general	3,217,369	-	-	-	3,217,369	3,079,999
Fundraising	269,381	-	-	-	269,381	336,488
Total Expenses	13,373,158	-	-	-	13,373,158	13,872,799
Change in Net Assets from Operations	(1,076,080)	-	94,187	-	(981,893)	(218,379)
INVESTMENT RETURN, NET OF FEES	987	814,311	-	-	815,298	(63,722)
Change in Net Assets	(1,075,093)	814,311	94,187	-	(166,595)	(282,101)
NET ASSETS, Beginning of year	2,834,297	8,993,048	618,042	42,585	12,487,972	12,770,073
NET ASSETS, End of year	\$ 1,759,204	\$ 9,807,359	\$ 712,229	\$ 42,585	\$ 12,321,377	\$ 12,487,972

See accompanying notes to financial statements

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

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 166,595)	(\$ 282,101)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	20,646	21,816
Net realized and unrealized (gain) loss on investments	(609,250)	356,739
Inventory obsolescence write-off	19,807	21,035
Bad debt expense	-	100
(Increase) decrease in assets:		
Accounts receivable, net	13,157	(66,075)
Contracts receivable	(167,575)	74,572
Grants receivable	274,942	862,088
Unconditional promises to give	(7,100)	(996)
Inventory	(47,380)	(21,725)
Prepaid expenses	(50,005)	(42,592)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(193,229)	(320,584)
Deferred revenues	161,905	(470,527)
Net Change in Cash from Operating Activities	(750,677)	131,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,535,061)	(3,801,729)
Proceeds from sale of investments	1,329,909	3,059,759
Net Change in Cash from Investing Activities	(205,152)	(741,970)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(955,829)	(610,220)
CASH AND CASH EQUIVALENTS, Beginning of year	2,225,459	2,835,679
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,269,630</u>	<u>\$ 2,225,459</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2016, 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, 2017.

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, 2017
(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, 2017
(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, 2017
(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 2013 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 17, 2017, the date the financial statements were available to be issued.

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services

Includes all aspects of the Center's operations – providing the information, training, technical assistance, curriculum and program development for professionals implementing family education and support services designed to promote the optimal early development, learning and health of children by supporting and engaging their parents and caregivers. The Center's programs are:

Training, Curriculum and Program Innovations – There were over 6,000 parent educators/supervisors/early childhood professionals trained in either core trainings or professional development from July 1, 2016 through June 30, 2017.

Affiliations and Program Support – The number of Parents as Teacher ("PAT") affiliates at June 30, 2017 was 1,462 in 49 states, District of Columbia, U.S. Territories, Germany, Switzerland, Australia, United Kingdom and Canada.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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 manages the Parents as Teachers quality endorsement process to assess fidelity to the evidence-based model.

General Program –

Curriculum Development – Work this year included the continual updating of the online Foundational Curriculum and Foundational II Curriculum: Three Years Through Kindergarten, revisions to the Foundational Training Guide and the Model Implementation Guide, and translation of curriculum information into French, Arabic, Chinese, Nepali and Burmese. The new product releases of online training Diversity in Families, Children and You as well as What You Do Matters, an ongoing group series that is currently the focus of an evaluation project.

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

Conference – Annual meeting for parent educators and others in the early childhood field to share information, receive additional training and attend workshops conducted by professional speakers and presenters.

Special Programs – Includes general program support and various other projects such as the contracts with the Normandy Schools Collaborative and Missouri Department of Elementary and Secondary Education where the Center administers the program and supervises staff to implement the model and deliver direct services to families.

Also included is the Wyoming Maternal Infant and Early Childhood Home Visiting programs where the Center is the nonprofit federal grant recipient that administers, supervises and coordinates the delivery of services by local implementing agencies within the states.

Through a contract with the Bureau of Indian Education (BIE), the Center provides technical assistance to the Family and Child Education (FACE) Program, an educational model developed for American Indian families with emphasis on school readiness through culturally responsive education, resources and support. The Center currently provides assistance to 47 BIE-funded schools.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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, 2017
(Continued)

C. INVESTMENTS

Investments consist of mutual funds totaling \$5,536,930, stocks totaling \$2,338,010, bonds totaling \$1,337,870, cash totaling \$93,473 and other investments totaling \$501,076. These investments have a cost of \$9,496,269 and a fair value of \$9,807,359. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2017, a net realized and unrealized gain of \$609,250 was recorded to adjust the investments to fair value.

Assets designated/restricted for permanent investment of \$108,961 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, 2017:

Interest and dividends, net of fees	\$206,048
Net realized and unrealized gain	<u>609,250</u>
Investment Return, Net of Fees	<u><u>\$815,298</u></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, 2017
(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, 2017 are as follows:

	Fair Value Measurements at Reporting Date Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>	<u>Fair Value</u>			
Mutual Funds	\$5,536,930	\$5,536,930	\$ -	\$ -
Stocks	2,338,010	2,338,010	-	-
Cash	93,473	93,473	-	-
Bonds	1,337,870	-	1,337,870	-
Other investments	501,076	501,076	-	-
Total	<u>\$9,807,359</u>	<u>\$8,469,489</u>	<u>\$1,337,870</u>	<u>\$ -</u>

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017:

Office furniture and equipment	\$1,114,049
Leasehold improvements	<u>224,559</u>
	1,338,608
Less: accumulated depreciation	<u>(1,188,201)</u>
Total Property and Equipment, Net	<u>\$ 150,407</u>

Depreciation charged against revenues amounted to \$20,646 for the year ended June 30, 2017.

G. LINE OF CREDIT

The Center has an \$800,000 line of credit bearing a variable interest rate of monthly LIBOR (1.22% at June 30, 2017) plus 2.25%, with no floor. Outstanding principal and interest are payable December 22, 2017. There was no outstanding balance at June 30, 2017. Certain investment accounts are pledged as collateral. There was no interest expense for the year ended June 30, 2017.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

H. **NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Missouri Foundation for Health - Healthy Tomorrows Community Connections	\$ 239,916
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	191,902
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	79,373
Anonymous - MOPATA	63,234
Joseph and Florence Roblee Foundation - Normandy Schools Collaborative	20,000
PNC Foundation - Normandy Schools Collaborative	13,581
Missouri Foundation for Health - General Support for Advocacy	12,151
Express Scripts Foundation - Normandy Schools Collaborative	7,970
Greater St. Louis Bookfair - Normandy Schools Collaborative	3,000
Norman J. Stupp Foundation - Normandy Schools Collaborative	210
Ozark Community Foundation - Healthy Tomorrows Community Connections	113
	<u>\$ 631,451</u>
 W.K. Kellogg Foundation - i3 Evaluation (Prepaid Expense)	 80,778
 Total	 <u><u>\$ 712,229</u></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, 2017
(Continued)

H. **NET ASSETS** (Continued)

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

Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	\$ 127,470
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	112,207
Heising Simon Foundation - i3 Evaluation	112,192
Hall Family Foundation - Community School Initiative in Kansas City, Missouri	102,267
Missouri Foundation for Health - General Support for Advocacy	66,823
Anonymous - MOPATA	41,210
W.K. Kellogg Foundation - i3 Evaluation	28,232
Allen and Josephine Green Foundation - Normandy Schools Collaborative	20,000
New Venture Funds - Advocacy Work around MIECHV Reauthorization	18,000
Norman J. Stupp Foundation - Normandy Schools Collaborative	17,437
Dollar General - FACE literacy	15,000
Saigh Foundation - Right from the Start	12,500
Trio Foundation - Normandy Schools Collaborative	12,000
Joseph and Florence Roblee Foundation - Normandy Schools Collaborative	10,000
Missouri Foundation for Health - Healthy Tomorrow Community Connections	9,550
Wells Fargo	5,000
SF SB Lagacy, Inc.	2,250
Express Scripts - Normandy Schools Collaborative	2,030
PNC Foundation - Normandy Schools Collaborative	1,419
Ozark Community Foundation - Healthy Tomorrows Community Connections	887
Total	<u><u>\$ 716,474</u></u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

I. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2017 consists of:

Missouri Foundation for Health - Healthy Tomorrow Community Connections	\$ 249,466
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	200,000
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	153,000
Anonymous - MOPATA	104,444
Allen and Josephine Green Foundation - Normandy Schools Collaborative	20,000
New Venture Funds - Advocacy Work around MIECHV Reauthorization	18,000
PNC Foundation - Normandy Schools Collaborative	15,000
Saigh Foundation - Right from the Start	12,500
Trio Foundation - Normandy Schools Collaborative	12,000
Express Scripts Foundation - Normandy Schools Collaborative	10,000
Norman J. Stupp Foundation - Normandy School Collaborative	10,000
Greater St. Louis Bookfair - Normandy Schools Collaborative	3,000
SF SB Lagacy, Inc.	2,250
Ozark Community Foundation - Healthy Tomorrows Community Connections	<u>1,000</u>
 Total	 <u>\$ 810,660</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 \$9,807,359 for the year ended June 30, 2017.

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, 2017
(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, 2017.

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, 2017
(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, 2017.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	\$9,807,359	\$ -	\$ -	\$9,807,359

Changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$8,993,048	\$ -	\$ -	\$8,993,048
Interest and dividends, net of fees	205,061	-	-	205,061
Net appreciation (realized and unrealized)	609,250	-	-	609,250
Amounts appropriated for operations	-	-	-	-
Endowment net assets, end of year	\$9,807,359	\$ -	\$ -	\$9,807,359

L. **CONTRACTS**

The Center's contract revenue for the year ended June 30, 2017 is as follows:

Bureau of Indian Education	\$ 1,012,773
Missouri DESE - Right from the Start	713,515
Normandy Schools Collaborative	572,090
Missouri DESE - Special Needs	17,845
Missouri DHSS - MO MIECHV	19,080
Total	<u>\$ 2,335,303</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

M. FEDERAL GRANTS

The Center's contract revenue from federal grants for the year ended June 30, 2017 is as follows:

U.S. Department of Health and Human Services	
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program - WY	\$ 1,127,042
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program - OK	713,910
Healthy Tomorrows Partnership for Children Program	<u>71,148</u>
Total U.S. Department of Health and Human Services	<u>1,912,100</u>
Total Federal Grants	<u><u>\$ 1,912,100</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, which occurred in fiscal year 2017. The Center's contribution to the plan for the year ended June 30, 2017 was \$235,786.

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, 2017
(Continued)

O. **LEASE AGREEMENTS** (Continued)

At June 30, 2017, the approximate future minimum rental commitments required under these operating leases are as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2018	<u>\$172,876</u>

Rental expense amounted to \$301,201 for the year ended June 30, 2017.

**SUPPLEMENTARY
INFORMATION**

**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, 2017, and our report thereon dated October 17, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1-2. Our audit was conducted 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 17, 2017

Parents as Teachers National Center, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With Summarized Financial Information For The Year Ended June 30, 2016)

	2017									2016
	Training	Affiliations	Research	General Program	Outreach	Total Program Services	Management and General	Fund-raising	Total	Total
Payroll, payroll taxes and benefits	\$ 1,735,198	\$ 1,075,878	\$ 406,798	\$ 1,407,821	\$ 338,632	\$ 4,964,327	\$ 1,815,275	\$ 187,579	\$ 6,967,181	\$ 6,832,210
Professional and contracted services	593,898	558,535	169,093	1,413,840	100,318	2,835,684	565,731	54,645	3,456,060	3,929,629
Travel	404,532	90,564	8,192	110,203	1,466	614,957	109,576	5,449	729,982	815,292
Cost of goods sold	445,180	9,616	2,822	177,552	35,349	670,519	2,269	-	672,788	580,062
Occupancy	21,368	18,685	5,338	11,806	7,118	64,315	322,915	3,560	390,790	433,738
International conference	496	141	300	36	361,742	362,715	6,134	302	369,151	378,633
Software fees	1,757	739	6,929	4,985	412	14,822	151,908	140	166,870	179,490
Temporary services	-	-	-	-	10,704	10,704	87,906	2,697	101,307	65,759
Facilities	22,226	4,002	1,081	32,450	1,411	61,170	29,472	1,518	92,160	81,047
Bank, investment and credit card fees	19,658	13,428	3,812	6,354	10,926	54,178	20,276	2,542	76,996	66,535
Office supplies and non-capital equipment	8,789	10,441	2,271	17,590	2,491	41,582	23,820	1,201	66,603	148,612
Print, copy and video production	14,971	10,154	871	5,387	16,483	47,866	11,252	4,637	63,755	65,080
Board expenses	-	-	137	-	18,505	18,642	38,920	22	57,584	72,299
Postage and shipping	35,748	341	293	511	7,309	44,202	-	64	44,266	46,877
Telephone	3,099	5,070	1,298	14,418	1,184	25,069	8,852	822	34,743	53,147
Depreciation	4,955	4,336	1,239	2,064	1,652	14,246	5,574	826	20,646	21,816
Equipment	4,202	3,676	1,050	1,751	1,400	12,079	4,727	700	17,506	21,687
Dues and subscriptions	705	1,666	1,186	6,452	577	10,586	4,678	1,096	16,360	24,482
Staff development	4,030	-	-	205	1,340	5,575	5,391	330	11,296	42,628
Advertisement	-	-	-	100	8,430	8,530	700	-	9,230	7,283
Miscellaneous	251	110	-	1,930	2,349	4,640	1,993	1,251	7,884	6,393
Bad debt expense	-	-	-	-	-	-	-	-	-	100
	<u>\$ 3,321,063</u>	<u>\$ 1,807,382</u>	<u>\$ 612,710</u>	<u>\$ 3,215,455</u>	<u>\$ 929,798</u>	<u>\$ 9,886,408</u>	<u>\$ 3,217,369</u>	<u>\$ 269,381</u>	<u>\$ 13,373,158</u>	<u>\$ 13,872,799</u>

See accompanying independent auditors' report on supplementary information
(22)