PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2018

Parents as Teachers National Center, Inc.

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SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

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, 2018, 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.

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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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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, 2018, 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., PC

St. Louis, Missouri
October 17, 2018

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 705,693	$ 1,269,630
Accounts receivable, net	309,883	267,870
Contracts receivable	645,237	717,146
Grants receivable	1,003,639	652,450
Unconditional promises to give	80,298	37,754
Inventory	211,204	233,823
Prepaid expenses	393,166	349,659
Total Current Assets	3,349,120	3,528,332
PROPERTY AND EQUIPMENT, NET	732,406	150,407
INVESTMENTS	10,360,320	9,807,359
ASSETS DESIGNATED/RESTRICTED FOR PERMANENT INVESTMENT	109,124	108,961
TOTAL ASSETS	$ 14,550,970	$ 13,595,059

LIABILITIES AND NET ASSETS

	June 30, 2018	June 30, 2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,141,806	$ 880,166
Deferred revenues	505,202	393,516
Total Current Liabilities	1,647,008	1,273,682
NET ASSETS		
Unrestricted		
Net investment in property and equipment	732,406	150,407
Board designated scholarship fund	66,539	66,376
Available for general use	683,306	1,542,421
Board designated quasi endowment	10,360,320	9,807,359
Total Unrestricted Net Assets	11,842,571	11,566,563
Temporarily restricted	1,018,806	712,229
Permanently restricted	42,585	42,585
Total Net Assets	12,903,962	12,321,377
TOTAL LIABILITIES AND NET ASSETS	$ 14,550,970	$ 13,595,059

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

(With Summarized Financial Information For The Year Ended June 30, 2017)

	2018					2017
	Unrestricted					
	Operations	Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT						
Contracts	$ 2,525,680	$ -	$ -	$ -	$ 2,525,680	$ 2,335,303
Federal grants	1,390,659	-	-	-	1,390,659	1,912,100
Grants and unconditional promises	266,251	-	1,003,277	-	1,269,528	981,457
Total Support	4,182,590	-	1,003,277	-	5,185,867	5,228,860
REVENUES AND GAINS						
Training and consulting fees	3,214,406	-	-	-	3,214,406	3,011,955
Recertification and affiliation fees	3,378,153	-	-	-	3,378,153	3,244,793
Conference	479,325	-	-	-	479,325	414,515
Reimbursed service costs	339,111	-	-	-	339,111	300,495
Sales of materials	115,264	-	-	-	115,264	146,817
Miscellaneous income	35,215	-	-	-	35,215	43,830
Total Revenues and Gains	7,561,474	-	-	-	7,561,474	7,162,405
NET ASSETS RELEASED FROM RESTRICTIONS	696,700	-	(696,700)	-	-	-
Total Support, Revenues, and Gains	12,440,764	-	306,577	-	12,747,341	12,391,265
EXPENSES						
Program services	9,976,567	-	-	-	9,976,567	9,886,408
Management and general	2,467,141	-	-	-	2,467,141	3,217,369
Fundraising	281,037	-	-	-	281,037	269,381
Total Expenses	12,724,745	-	-	-	12,724,745	13,373,158
Change in Net Assets from Operations	(283,981)	-	306,577	-	22,596	(981,893)
INVESTMENT RETURN, NET OF FEES	7,028	552,961	-	-	559,989	815,298
Change in Net Assets	(276,953)	552,961	306,577	-	582,585	(166,595)
NET ASSETS, Beginning of year	1,759,204	9,807,359	712,229	42,585	12,321,377	12,487,972
NET ASSETS, End of year	$ 1,482,251	$ 10,360,320	$1,018,806	$ 42,585	$ 12,903,962	$ 12,321,377

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

	Years Ended June 30, 2018	Years Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 582,585	($ 166,595)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	19,647	20,646
Net realized and unrealized gain on investments	(268,674)	(609,250)
Inventory obsolescence write-off	39,013	19,807
Bad debt expense	20,255	-
(Increase) decrease in assets:		
Accounts receivable, net	(62,268)	13,157
Contracts receivable	71,909	(167,575)
Grants receivable	(351,189)	274,942
Unconditional promises to give	(42,544)	(7,100)
Inventory	(16,394)	(47,380)
Prepaid expenses	(43,507)	(50,005)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	261,640	(193,229)
Deferred revenues	111,686	161,905
Net Change in Cash from Operating Activities	322,159	(750,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,615,113)	(1,535,061)
Proceeds from sale of investments	1,330,663	1,329,909
Purchase of property and equipment	(601,646)	-
Net Change in Cash from Investing Activities	(886,096)	(205,152)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(563,937)	(955,829)
CASH AND CASH EQUIVALENTS, Beginning of year	1,269,630	2,225,459
CASH AND CASH EQUIVALENTS, End of year	$ 705,693	$ 1,269,630
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 2,890	$ -

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, Inc. (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, 2017, 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, 2018.

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 consist of exchange traded funds, money market funds, mutual funds, municipal bonds, and certificates of deposit and are carried at fair value. Donated investments received as contributions are recorded at their fair value of the investment on the date they were received. Return on investment consists of interest, dividends and unrealized and realized gains and losses, and is reported on the Statement of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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.

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

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.

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.

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

Expense Allocation

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

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.

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 2014 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, 2018, the date the financial statements were available to be issued.

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

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, 2017 through June 30, 2018.

Affiliations and Program Support – The number of Parents as Teacher ("PAT") affiliates at June 30, 2018 was 1,108 in 49 states, District of Columbia, U.S. Territories, Germany, Switzerland, United Kingdom and Canada. Curriculum subscribers extend the footprint to include 50 states, Australia, Singapore, and Guam.

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, revisions to the Foundational Training Guide, translation of Foundational Curriculum and Training into Italian, and a redesign of the Model Implementation Guide and Training. New products include Interactions Across Abilities Training and Curriculum, Goals and Assets group series, Facilitating Groups Training and a Head Start curriculum fidelity tool.

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

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

General Program *(Continued)*

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, Missouri Departments of Elementary and Secondary Education and Health 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.

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 statewide 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 $5,889,454, exchange traded funds totaling $2,368,700, municipal bonds totaling $1,594,151, money market funds totaling $112,487 and certificates of deposit totaling $395,528. These investments have a cost of $9,866,289 and a fair value of $10,360,320. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2018, a net realized and unrealized gain of $268,674 was recorded to adjust the investments to fair value.

Assets designated/restricted for permanent investment of $109,124 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, 2018:

Interest and dividends, net of fees	$291,315
Net realized and unrealized gain	268,674
Investment Return, Net of Fees	$559,989

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, 2018 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)
June 30, 2018				
Mutual Funds	$ 5,889,454	$5,889,454	$ -	$ -
Exchange Traded Funds	2,368,700	2,368,700	-	-
Money Market Funds	112,487	112,487	-	-
Municipal Bonds	1,594,151	-	1,594,151	-
Certificates of Deposit	395,528	395,528	-	-
Total	$10,360,320	$8,766,169	$1,594,151	$ -

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

Office furniture and equipment	$1,114,049
Leasehold improvements	224,559
Software in progress	601,646
	1,940,254
Less: accumulated depreciation	(1,207,848)
Total Property and Equipment, Net	$ 732,406

Depreciation charged against revenues amounted to $19,647 for the year ended June 30, 2018.

G. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of monthly LIBOR (2.09% at June 29, 2018) plus 2.25%, with no floor. Outstanding principal and interest are payable December 21, 2018. There was no outstanding balance at June 30, 2018. Certain investment accounts are pledged as collateral. Interest expense was $2,890 for the year ended June 30, 2018.

H. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Missouri Foundation for Health - Infant Mortality Reduction Initiative	$ 384,190
Missouri Foundation for Health - Healthy Tomorrows Community Connections	179,590
Anonymous - MOPATA	107,879
The Pitnon Foundation - Development of Virtual Screening Method	100,000
The Steven and Susan Lipstein Foundation - Show Me Strong Families	100,000
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	77,806
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	26,996
Joseph H. and Florence A. Roblee Foundation - Normandy Schools Collaborative	15,000
Express Scripts Foundation - Normandy Schools Collaborative	10,000
Dana Brown Charitable Trust - Normandy Schools Collaborative	8,845
Washington University - Diabetes Research	5,000
Greater St. Louis Book Fair - Normandy Schools Collaborative	3,500
Total	$ 1,018,806

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:

Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	$ 189,906
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	154,567
Anonymous - MOPATA	109,695
W.K. Kellogg Foundation - i3 Evaluation	80,777
Missouri Foundation for Health - Healthy Tomorrow Community Connections	60,326
Allen and Josephine Green Foundation - Normandy Schools Collabrative	20,000
Missouri Foundation for Health - Infant Mortality Reduction Initiative	15,747
PNC Foundation - Normandy Schools Collaborative	13,581
Missouri Foundation for Health - General Support for Advocacy	12,152
Norman J. Stupp Foundation - Normandy Schools Collaborative	10,210
Saigh Foundation - Right from the Start	10,000
Express Scripts - Normandy Schools Collaborative	7,970
Dana Brown Charitable Fund - Normandy Schools Collaborative	6,155
Greater St. Louis Bookfair - Normandy Schools Collaborative	3,000
Wells Fargo - Show Me Strong Families	2,500
Ozark Community Foundation - Healthy Tomorrows Community Connections	114
Total	$ 696,700

I. TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted support for the year ended June 30, 2018 consists of:

Missouri Foundation for Health - Infant Mortality Reduction Initiative	$ 399,937
Anonymous - MOPATA	154,340
Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative	153,000
The Pitnon Foundation - Development of Virtual Screening Method	100,000
The Steven and Susan Lipstein Foundation - Show Me Strong Families	100,000
Overdeck Family Foundation - Parents as Teachers @ USC Telehealth	25,000
Dana Brown Charitable Trust - Normandy Schools Collaborative	15,000
Joseph H. and Florence A. Roblee Foundation - Normandy Schools Collaborative	15,000
Saigh Foundation - Right from the Start	10,000
Express Scripts Foundation - Normandy Schools Collaborative	10,000
Norman J. Stupp Foundation - Normandy Schools Collaborative	10,000
Washington University - Diabetes Research	5,000
Greater St. Louis Bookfair - Normandy Schools Collaborative	3,500
Wells Fargo Foundation - Show Me Strong Families, Right from the Start	2,500
Total	$ 1,003,277

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 $10,360,320 for the year ended June 30, 2018.

Scholarship Fund – Established with the intention of utilizing the earnings from the Mildred Winter Scholarship Fund to support trainees attending PAT Programs. The Board designated scholarship fund amounted to $66,539 for the year ended June 30, 2018.

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, 2018.

K. ENDOWMENT FUNDS *(Continued)*

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.

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, 2018.

K. ENDOWMENT FUNDS *(Continued)*

Endowment Net Asset Composition by Type of Fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	$10,360,320	$ -	$ -	$10,360,320

Changes in endowment net assets as of June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 9,807,359	$ -	$ -	$ 9,807,359
Interest and dividends, net of fees	284,287	-	-	284,287
Net appreciation (realized and unrealized)	268,674	-	-	268,674
Amounts appropriated for operations	-	-	-	-
Endowment net assets, end of year	$10,360,320	$ -	$ -	$10,360,320

L. CONTRACTS

The Center's contract revenue for the year ended June 30, 2018 is as follows:

Bureau of Indian Education	$ 1,037,118
Normandy Schools Collaborative	656,544
Missouri DESE - Right from the Start	612,240
Missouri DHSS - MO MIECHV	201,848
St. Louis County Children's Service Fund	17,930
Total	$ 2,525,680

M. FEDERAL GRANTS

The Center's contract revenue from federal grants for the year ended June 30, 2018 is as follows:

U.S. Department of Health and Human Services	
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program - WY	$ 1,351,890
Healthy Tomorrows Partnership for Children Program	38,769
Total U.S. Department of Health and Human Services	1,390,659
Total Federal Grants	$ 1,390,659

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 did not occur in fiscal year 2018. The Center's contribution to the plan for the year ended June 30, 2018 was $179,410.

O. LEASE AGREEMENTS

In June 2011, the Center executed a first lease amendment effective March 1, 2011 for its operating facilities in St. Louis, Missouri. The lease expired April 30, 2018. The Center extended the lease through April 30, 2023. The agreement provides for monthly rent ranging from $17,288 to $18,713. The lease also provides that the Center pay real estate taxes, certain maintenance expenses, insurance and certain other operating expenses applicable to the leased premises. In April 2018, the Center entered into a second lease agreement effective May 1, 2018 for its general office in downtown St. Louis, Missouri. The agreement provides for monthly rent set at $1,500, with the lease expiring on April 30, 2021.

O. **LEASE AGREEMENTS** *(Continued)*

At June 30, 2018, the approximate future minimum rental commitments required under these operating leases are as follows:

Years Ended June 30,	Amount
2019	$ 226,142
2020	230,305
2021	231,551
2022	220,882
2023	187,126
Total	$1,096,006

Rental expense amounted to $330,821 for the year ended June 30, 2018.

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, 2018, and our report thereon dated October 17, 2018, 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, 2018

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Parents as Teachers National Center, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(With Summarized Financial Information For The Year Ended June 30, 2017)

	2018									2017
	Training	Affiliations	Research	General Program	Outreach	Total Program Services	Management and General	Fund-raising	Total	Total
Payroll, payroll taxes and benefits	$ 1,834,614	$ 1,159,919	$ 508,811	$ 1,462,379	$ 313,936	$ 5,279,659	$ 1,628,624	$ 171,610	$ 7,079,893	$ 6,967,181
Professional and contracted services	523,791	318,877	195,631	1,209,162	47,774	2,295,235	445,956	41,408	2,782,599	3,456,060
Travel	475,371	68,744	18,242	112,043	2,342	676,742	51,041	5,346	733,129	729,982
International conference	33,788	13,513	4,084	6,172	450,985	508,542	3,888	1,700	514,130	369,151
Cost of goods sold	391,936	10	1,828	74,619	36,164	504,557	245	3	504,805	672,788
Occupancy	91,256	57,143	31,106	104,502	21,597	305,604	112,175	12,794	430,573	390,790
Software fees	9,128	103,710	5,486	1,954	756	121,034	244	79	121,357	166,870
Facilities	17,615	3,936	1,192	29,387	817	52,947	8,375	12,785	74,107	92,160
Bank, investment and credit card fees	16,936	10,327	5,457	17,647	4,085	54,452	17,078	2,270	73,800	76,996
Office supplies and non-capital equipment	4,713	1,798	391	18,756	2,521	28,179	35,639	1,304	65,122	66,603
Temporary services	-	-	-	3,346	412	3,758	56,270	-	60,028	101,307
Print, copy and video production	13,168	2,643	5,001	5,363	10,743	36,918	5,336	17,165	59,419	63,755
Board expenses	-	35	-	-	4,448	4,483	44,128	-	48,611	57,584
Postage and shipping	29,933	426	100	489	1,999	32,947	7,294	7,580	47,821	44,266
Telephone	4,693	3,767	2,037	17,068	915	28,480	6,722	665	35,867	34,743
Bad debt expense	2,980	1,440	-	-	492	4,912	15,343	-	20,255	-
Depreciation	4,475	2,867	1,523	4,904	1,084	14,853	4,157	637	19,647	20,646
Dues and subscriptions	735	2,200	218	6,235	156	9,544	5,189	881	15,614	16,360
Miscellaneous	776	342	408	4,836	-	6,362	7,628	797	14,787	7,884
Staff development	75	-	300	60	-	435	5,028	3,727	9,190	11,296
Equipment	1,602	1,012	551	1,796	382	5,343	2,281	226	7,850	17,506
Advertisement	-	-	-	-	1,581	1,581	4,500	60	6,141	9,230
	$ 3,457,585	$ 1,752,709	$ 782,366	$ 3,080,718	$ 903,189	$ 9,976,567	$ 2,467,141	$ 281,037	$ 12,724,745	$ 13,373,158

See accompanying independent auditors' report on supplementary information