**PARENTS AS TEACHERS NATIONAL CENTER, INC.**

**FINANCIAL STATEMENTS**
**AND**
**INDEPENDENT AUDITORS' REPORT**
**FOR THE YEAR ENDED**
**JUNE 30, 2019**

Parents as Teachers National Center, Inc.

CONTENTS

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

# INDEPENDENT AUDITORS' REPORT

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

## 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, 2019, and the related statements of activities, functional expenses, 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Parents as Teachers National Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schmersahl Treloar & Co., PC

St. Louis, Missouri
October 2, 2019

# FINANCIAL STATEMENTS

Parents as Teachers National Center, Inc.

STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 707,610 | $ 814,817 |
| Accounts receivable, net | 423,972 | 309,883 |
| Contracts receivable | 545,377 | 645,237 |
| Grants receivable | 2,039,344 | 1,003,639 |
| Contributions receivable | 220,161 | 80,298 |
| Inventory | 206,266 | 211,204 |
| Prepaid expenses | 237,204 | 393,166 |
| Total Current Assets | 4,379,934 | 3,458,244 |
| GRANTS RECEIVABLE, NONCURRENT | 850,000 | - |
| PROPERTY AND EQUIPMENT, NET | 948,392 | 732,406 |
| INVESTMENTS | 10,724,213 | 10,360,320 |
| TOTAL ASSETS | $ 16,902,539 | $ 14,550,970 |

LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 1,176,691 | $ 1,141,806 |
| Deferred revenues | 528,497 | 505,202 |
| Total Current Liabilities | 1,705,188 | 1,647,008 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Net investment in property and equipment | 948,392 | 732,406 |
| Board designated scholarship fund | 66,703 | 66,539 |
| Board designated quasi endowment | 10,724,213 | 10,360,320 |
| Available for general use | 945,900 | 603,008 |
| Total Net Assets without Donor Restrictions | 12,685,208 | 11,762,273 |
| With donor restrictions | | |
| Perpetual in nature | 42,585 | 42,585 |
| Purpose restrictions | 587,400 | 1,018,806 |
| Time-restricted for future periods | 1,882,158 | 80,298 |
| Total Net Assets With Donor Restrictions | 2,512,143 | 1,141,689 |
| Total Net Assets | 15,197,351 | 12,903,962 |
| TOTAL LIABILITIES AND NET ASSETS | $ 16,902,539 | $ 14,550,970 |

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019
(With Summarized Financial Information For The Year Ended June 30, 2018)

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT | | | | |
| Contracts | $ 2,467,456 | $ - | $ 2,467,456 | $ 2,525,680 |
| Federal grants | 1,554,724 | - | 1,554,724 | 1,390,659 |
| Grants and contributions | 352,190 | 2,933,930 | 3,286,120 | 1,269,528 |
| Total Support | 4,374,370 | 2,933,930 | 7,308,300 | 5,185,867 |
| REVENUES | | | | |
| Recertification and affiliation fees | 3,681,607 | - | 3,681,607 | 3,378,153 |
| Training and consulting fees | 3,439,680 | - | 3,439,680 | 3,214,406 |
| Conference | 623,638 | - | 623,638 | 479,325 |
| Reimbursed service costs | 388,465 | - | 388,465 | 339,111 |
| Sales of materials | 125,542 | - | 125,542 | 115,264 |
| Miscellaneous income | 28,881 | - | 28,881 | 35,215 |
| Total Revenues | 8,287,813 | - | 8,287,813 | 7,561,474 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 1,563,476 | ( 1,563,476) | - | - |
| Total Support and Revenue | 14,225,659 | 1,370,454 | 15,596,113 | 12,747,341 |
| EXPENSES | | | | |
| Program services | 10,950,596 | - | 10,950,596 | 9,976,567 |
| Management and general | 2,484,828 | - | 2,484,828 | 2,467,141 |
| Fundraising | 231,356 | - | 231,356 | 281,037 |
| Total Expenses | 13,666,780 | - | 13,666,780 | 12,724,745 |
| Change in Net Assets from Operations | 558,879 | 1,370,454 | 1,929,333 | 22,596 |
| INVESTMENT RETURN, NET OF FEES | 364,056 | - | 364,056 | 559,989 |
| Change in Net Assets | 922,935 | 1,370,454 | 2,293,389 | 582,585 |
| NET ASSETS, Beginning of year | 11,762,273 | 1,141,689 | 12,903,962 | 12,321,377 |
| NET ASSETS, End of year | $ 12,685,208 | $ 2,512,143 | $ 15,197,351 | $ 12,903,962 |

See accompanying notes to financial statements

# Parents as Teachers National Center, Inc.
## STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With Summarized Financial Information For The Year Ended June 30, 2018)

| | 2019 | | | | | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Training and Curriculum | Affiliations | Research and Evaluation | General Program | Outreach | Total Program Services | Management and General | Fund Development | Total | Total |
| Salaries, payroll taxes and benefits | $ 1,811,707 | $ 1,289,495 | $ 557,508 | $ 1,517,830 | $ 305,471 | $ 5,482,011 | $ 1,751,116 | $ 151,679 | $ 7,384,806 | $ 7,079,893 |
| Professional and contracted services | 544,118 | 554,256 | 311,608 | 1,359,568 | 83,488 | 2,853,038 | 372,476 | 23,740 | 3,249,254 | 2,782,599 |
| Travel | 470,975 | 82,046 | 15,872 | 90,140 | 170 | 659,203 | 53,070 | 6,378 | 718,651 | 733,129 |
| International conference | 55,698 | 23,820 | 10,173 | 13,151 | 561,229 | 664,071 | 9,289 | 4,839 | 678,199 | 514,130 |
| Cost of goods sold | 324,991 | 1,331 | 4,519 | 191,798 | 34,606 | 557,245 | - | - | 557,245 | 504,805 |
| Occupancy | 102,243 | 64,197 | 35,418 | 134,713 | 22,731 | 359,302 | 90,778 | 14,208 | 464,288 | 430,573 |
| Depreciation | 24,979 | 15,410 | 8,730 | 29,090 | 5,820 | 84,029 | 22,707 | 3,494 | 110,230 | 19,647 |
| Bank and credit card fees | 20,846 | 12,444 | 6,958 | 23,184 | 5,499 | 68,931 | 21,531 | 2,785 | 93,247 | 73,800 |
| Board expenses | 15 | - | - | - | 872 | 887 | 60,293 | 297 | 61,477 | 48,611 |
| Office supplies and non-capital equipment | 10,997 | 7,658 | 3,841 | 7,639 | 1,399 | 31,534 | 25,997 | 1,633 | 59,164 | 65,122 |
| Facilities | 12,830 | 8,820 | 1,576 | 18,701 | 1,079 | 43,006 | 9,009 | 6,171 | 58,186 | 74,107 |
| Miscellaneous | 438 | 387 | 579 | 10,683 | 12,737 | 24,824 | 11,300 | 1,661 | 37,785 | 14,787 |
| Temporary services | - | - | - | - | - | - | 33,650 | 104 | 33,754 | 60,028 |
| Print, copy and video production | 14,781 | 5,214 | 2,197 | 2,211 | 2,464 | 26,867 | 1,021 | 2,919 | 30,807 | 59,419 |
| Telephone | 2,467 | 2,990 | 1,261 | 17,885 | 590 | 25,193 | 4,962 | 330 | 30,485 | 35,867 |
| Software fees | 6,206 | 4,452 | 5,372 | 1,230 | 426 | 17,686 | 1,089 | 2,828 | 21,603 | 121,357 |
| Postage and shipping | 13,802 | 184 | 119 | 170 | 706 | 14,981 | - | 5,128 | 20,109 | 47,821 |
| Dues and subscriptions | 481 | 766 | 364 | 5,869 | 3,670 | 11,150 | 7,456 | 1,145 | 19,751 | 15,614 |
| Equipment | 4,649 | 2,885 | 1,353 | 3,682 | 796 | 13,365 | 3,544 | 569 | 17,478 | 7,850 |
| Staff development | 1,642 | - | 526 | 7,995 | - | 10,163 | 5,540 | 788 | 16,491 | 9,190 |
| Advertisement | 29 | 3,000 | - | - | 81 | 3,110 | - | 660 | 3,770 | 6,141 |
| Bad debt expense | - | - | - | - | - | - | - | - | - | 20,255 |
| | $ 3,423,894 | $ 2,079,355 | $ 967,974 | $ 3,435,539 | $ 1,043,834 | $ 10,950,596 | $ 2,484,828 | $ 231,356 | $ 13,666,780 | $ 12,724,745 |

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.

STATEMENTS OF CASH FLOWS

| | Years Ended June 30, 2019 | Years Ended June 30, 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 2,293,389 | $ 582,585 |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 110,230 | 19,647 |
| Net realized and unrealized gain on investments | ( 44,480) | ( 268,674) |
| Inventory obsolescence write-off | 4,828 | 39,013 |
| Bad debt expense | - | 20,255 |
| (Increase) decrease in assets: | | |
| Accounts receivable, net | ( 114,089) | ( 62,268) |
| Contracts receivable | 99,860 | 71,909 |
| Grants receivable | ( 1,885,705) | ( 351,189) |
| Contributions receivable | ( 139,863) | ( 42,544) |
| Inventory | 110 | ( 16,394) |
| Prepaid expenses | 155,962 | ( 43,507) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 34,885 | 261,640 |
| Deferred revenues | 23,295 | 111,686 |
| Net Change in Cash from Operating Activities | 538,422 | 322,159 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | ( 3,693,771) | ( 1,614,950) |
| Proceeds from sale of investments | 3,374,358 | 1,330,663 |
| Purchase of property and equipment | ( 326,216) | ( 601,646) |
| Net Change in Cash from Investing Activities | ( 645,629) | ( 885,933) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | ( 107,207) | ( 563,774) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 814,817 | 1,378,591 |
| CASH AND CASH EQUIVALENTS, End of year | $ 707,610 | $ 814,817 |
| **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.

### Change in Accounting Principle

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes has been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of financial assets (Note Q)

### 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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, 2018, from which the summarized information was derived.

### Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated scholarship fund and quasi endowment.

*Net Investment in Property and Equipment* represents net assets without donor restriction consisting of property and equipment of the Center.

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

### Net Assets without Donor Restrictions *(Continued)*

*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.

### Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### 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, Grants and Contributions Receivable

Accounts, contracts, grants and contributions 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, 2019.

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

### Inventory

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

### Investments

Investments consist of mutual funds, exchange traded products, bonds, certificates of deposit and money market funds, 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. Investment return, net of fees, is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

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.

### Support and Revenue with and without Donor Restrictions

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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

### 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.

### Functional Expense Allocation

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of time and effort; bank and credit card fees, depreciation, and occupancy expenses are allocated on the basis of department headcount; and certain other expenses have been allocated among program services, management and general, and fund development based on direct benefit and department headcount.

### Financial Instruments

The carrying amount of cash and cash equivalents, accounts, contracts, grants and contributions receivable, accounts payable and accrued expenses, and deferred revenues 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 returns for fiscal years 2016 and later remain subject to examination by taxing authorities. 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.

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

### Reclassification

Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation.

### Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 2, 2019, 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, 2018 through June 30, 2019.

***Affiliations and Program Support*** – The number of Parents as Teacher ("PAT") affiliates at June 30, 2019 was 1,018 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.

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

***General Program –***

***Curriculum Development*** – Work this year included the continual updating of the online Foundational Curriculum. The following new resources were released to the field - *Heroes at Home* Digital Guide, *Goal$ and Assets* group series, *Considering Professional and Ethical Behaviors* resource, and the *Intentional Partnerships* podcast series.

***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, 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 49 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.

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

### *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.

### *Fund Development*

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 $5,001,149, exchange traded products totaling $2,219,227, money market funds totaling $403,933, municipal bonds totaling $2,096,727, and certificates of deposit totaling $1,003,177. These investments have a cost of $9,962,973 and a fair value of $10,724,213. Investments are carried at fair value in accordance with generally accepted accounting principles. At June 30, 2019, a net realized and unrealized gain of $44,480 was recorded to adjust the investments to fair value.

C. **INVESTMENTS** *(Continued)*

Investment return, net of fees, on the Statement of Activities consist of the following at June 30, 2019:

| | |
|---|---|
| Interest and dividends, net of fees | $319,576 |
| Net realized and unrealized gains | 44,480 |
| Investment Return, Net of Fees | $364,056 |

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.

## D. FAIR VALUE DISCLOSURES *(Continued)*

Fair values of assets measured on a recurring basis at June 30, 2019 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, 2019 | | | | |
| Mutual Funds | $ 5,001,149 | $5,001,149 | $ - | $ - |
| Exchange Traded Products | 2,219,227 | 2,219,227 | - | - |
| Money Market Funds | 403,933 | 403,933 | - | - |
| Municipal Bonds | 2,096,727 | - | 2,096,727 | - |
| Certificates of Deposit | 1,003,177 | 1,003,177 | - | - |
| Total | $10,724,213 | $8,627,486 | $2,096,727 | $ - |

## E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

| | |
|---|---|
| Office furniture and equipment | $1,814,678 |
| Leasehold improvements | 224,559 |
| Construction in progress | 227,234 |
| | 2,266,471 |
| Less: accumulated depreciation | ( 1,318,079) |
| Total Property and Equipment, Net | $ 948,392 |

Depreciation amounted to $110,230 for the year ended June 30, 2019.

## F. GRANTS RECEIVABLE

Grants receivable are due as follows at June 30, 2019:

| | |
|---|---|
| Receivable in less than one year | $2,039,344 |
| Receivable in one year | 850,000 |
| Total Grants Receivable | $2,889,344 |

## G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2019:

| | |
|---|---|
| Missouri Foundation for Health - Infant Mortality Reduction Initiative | $ 196,853 |
| Missouri Foundation for Health - Healthy Tomorrows Community Connections | 141,378 |
| The Steven and Susan Lipstein Foundation - Show Me Strong Families | 100,000 |
| Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative | 56,988 |
| Anonymous - MOPATA | 48,387 |
| Allen P and Josephine B. Green Foundation - Autism | 14,000 |
| Deaconess Foundation - Show Me Strong Families - Advocacy | 13,375 |
| Norman J. Stupp Foundation - Show Me Strong Families | 8,466 |
| Goldstein Family Foundation - Show Me Strong Families | 4,089 |
| Trio Foundation - Show Me Strong Families | 3,024 |
| Autism Speaks - Autism Curriculum | 840 |
| | 587,400 |
| Subject to passage of time: | |
| For periods after June 30, | |
| The Ballmer Group Foundation - General Operations Support | 1,700,000 |
| Centene Foundation - General Organization Sponsorship | 125,000 |
| Centene Foundation - Conference Sponsorship | 24,000 |
| Athena Software - Conference Sponsorship | 5,000 |
| Enterprise Bank and Trust - Conference Sponsorship | 5,000 |
| Commerce Bank - Conference Sponsorship | 2,500 |
| Moneta Group - Conference Sponsorship | 2,500 |
| Individual Contributions Pledged | 18,158 |
| | 1,882,158 |
| Subject to the Organization's spending policy and appropriation | |
| Original donor-restricted gift amount and amount requred to be maintainted by donor | 42,585 |
| Total | $ 2,512,143 |

## H. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2019:

| | |
|---|---|
| Missouri Foundation for Health - Infant Mortality Reduction Initiative | $ 187,337 |
| The Pitnon Foundation - Development of Virtual Screening Method | 100,000 |
| Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative | 80,818 |
| Emerson Charitable Trust - Emerson Training Center Renovation | 72,000 |
| Anonymous - MOPATA | 59,492 |
| Missouri Foundation for Health - Healthy Tomorrow Community Connections | 38,212 |
| Overdeck Family Foundation - Parents as Teachers @ USC Telehealth | 26,996 |
| Joseph H. and Florence A. Roblee Foundation - Normandy Schools Collaborat | 15,000 |
| Express Scripts - Normandy Schools Collaborative | 10,000 |
| Dana Brown Charitable Fund - Normandy Schools Collaborative | 8,845 |
| Trio Foundation - Show Me Strong Families | 6,976 |
| Deaconess Foundation - Show Me Strong Families - Advocacy | 6,625 |
| Goldstein Family Foundation - Show Me Strong Families | 5,911 |
| Greater St. Louis Bookfair - Normandy Schools Collaborative | 5,900 |
| Washington University - Diabetes Research | 5,000 |
| Autism Speaks - Autism Curriculum | 4,060 |
| Norman J. Stupp Foundation - Show Me Strong Families | 1,534 |
| | 634,706 |
| Time restrictions expired: | |
| The Ballmer Group Foundation | 850,000 |
| Individual Contributions Pledged | 78,770 |
| | 928,770 |
| Total Net Assets Released from Restriction | $ 1,563,476 |

## I. GRANTS AND CONTRIBUTIONS WITH DONOR RESTRICTIONS

The Center's grants and contributions support for the year ended June 30, 2019 is as follows:

| | |
|---|---|
| The Ballmer Group Foundation | $ 2,550,000 |
| Centene Foundation - General Organization Sponsorship | 125,000 |
| Emerson Charitable Trust - Emerson Training Center Renovation | 72,000 |
| Heising Simon Foundation - Fiscal Agent, Home Visting Collaborative | 60,000 |
| Centene Foundation - Conference Sponsorship | 24,000 |
| Deaconess Foundation - Show Me Strong Families - Advocacy | 20,000 |
| Individual Contributions/Pledges Receviable as of June 30, 2019 | 16,630 |
| Allen P and Josephine B. Green Foundation - Autism Curriculum | 14,000 |
| Goldstein Family Foundation - Show Me Strong Families | 10,000 |
| Trio Foundation - Show Me Strong Families | 10,000 |
| Norman J. Stupp Foundation - Show Me Strong Families | 10,000 |
| Athena Software - Conference Sponsorship | 5,000 |
| Enterprise Bank and Trust - Conference Sponsorship | 5,000 |
| Autism Speaks - Autism Curriculum | 4,900 |
| Commerce Bank - Conference Sponsorship | 2,500 |
| Moneta Group - Conference Sponsorship | 2,500 |
| Greater St. Louis Bookfair - Normandy Schools Collaborative | 2,400 |
| Total | $ 2,933,930 |

## 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 $10,724,213 for the year ended June 30, 2019.

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 $66,703 for the year ended June 30, 2019.

## 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 net assets with donor restriction – perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 at June 30, 2019.

*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.

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

*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 net assets with donor restrictions. These deficiencies could result from unfavorable market fluctuations on investment contributions restricted in perpetuity. There were no deficiencies at June 30, 2019.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Endowment Assets |
|---|---|---|---|
| Board designated endowment funds | $10,724,213 | $ - | $10,724,213 |

Changes in endowment net assets as of June 30, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|---|---|---|
| Endowment net assets, beginning of year | $10,360,320 | $ - | $10,360,320 |
| Interest and dividends, net of fees | 319,413 | - | 319,413 |
| Net appreciation (realized and unrealized) | 44,480 | - | 44,480 |
| Amounts appropriated for operations | - | - | - |
| Endowment net assets, end of year | $10,724,213 | - | $10,724,213 |

## L. CONTRACTS

The Center's contract support for the year ended June 30, 2019 is as follows:

| | |
|---|---|
| Bureau of Indian Education | $ 1,054,108 |
| Normandy Schools Collaborative | 699,150 |
| Missouri DHSS - MO MIECHV | 518,146 |
| Washington University | 95,428 |
| Missouri DESE - Right from the Start | 70,313 |
| St. Louis County Children's Service Fund | 30,311 |
| Total | $ 2,467,456 |

## M. FEDERAL GRANTS

The Center's federal grants support for the year ended June 30, 2019 is as follows:

| | |
|---|---|
| U.S. Department of Health and Human Services | |
| Maternal, Infant and Early Childhood Home Visiting Program - WY | $ 1,508,460 |
| Healthy Tomorrows Partnership for Children Program | 46,264 |
| Total U.S. Department of Health and Human Services | 1,554,724 |
| Total Federal Grants | $ 1,554,724 |

## 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 2019. The Center's contribution to the plan for the year ended June 30, 2019 was $290,202.

## O. LINE OF CREDIT

The Center has an $800,000 line of credit bearing a variable interest rate of monthly LIBOR (2.37% at June 30, 2019) plus 2.25%, with no floor. Outstanding principal and interest are payable December 20, 2019. There was no outstanding balance at June 30, 2019. Certain investment accounts are pledged as collateral.

## P. 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 originally expired on 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.

At June 30, 2019, the approximate future minimum rental commitments required under these operating leases are as follows:

| Years Ended June 30, | Amount |
|---|---|
| 2020 | $230,305 |
| 2021 | 231,551 |
| 2022 | 220,882 |
| 2023 | 187,126 |
| Total | $869,864 |

Rental expense amounted to $369,297 for the year ended June 30, 2019.

## Q. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Center receives revenue from contracts, federal grants, and grants and contributions with and without donor restrictions, and considers all contracts, grants and contributions, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center maintains financial assets, consisting of cash, various receivables and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. The Center maintains a board designated quasi endowment 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.

The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2019:

| | |
|---|---|
| Cash and cash equivalents | $ 707,610 |
| Accounts receivable, net | 423,972 |
| Contracts receivable | 545,377 |
| Grants receivable | 2,889,344 |
| Contributions receivable | 220,161 |
| Investments | 10,724,213 |
| Total financial assets | 15,510,677 |
| Less amounts not available or expected to be used within one year: | |
| Long-term portion of grants receivable | 850,000 |
| Board designated scholarship fund | 66,703 |
| Board designated quasi endowment | 10,724,213 |
| Donor-restricted perpetual in nature | 42,585 |
| Total financial assets not available or expected to be used within one year | 11,683,501 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 3,827,176 |

As described in Note O, the Center also has a committed line of credit in the amount of $800,000, which it could draw upon in the event of an unanticipated liquidity need.

In addition, although the Center does not intend to spend from its board designated quasi endowment, amounts from its board designed quasi endowment could be made available for operating costs if necessary.