PARENTS AS TEACHERS NATIONAL CENTER, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2023

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.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Parents as Teachers National Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Parents as Teachers National Center, Inc. as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parents as Teachers National Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parents as Teachers National Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Parents as Teachers National Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parents as Teachers National Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Parents as Teachers National Center, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, 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 solely 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 the effectiveness of Parents as Teachers National Center, Inc.'s 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.

St. Louis, Missouri
December 19, 2023

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2023	June 30, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 8,662,612	$ 9,879,431
Accounts receivable, net	668,110	491,505
Contracts receivable, net	1,117,300	130,773
Grants receivable	400,259	382,613
Contributions receivable	38,629	164,113
Inventory	44,119	94,808
Prepaid expenses	367,975	311,203
Total Current Assets	11,299,004	11,454,446
PROPERTY AND EQUIPMENT, NET	433,769	304,579
RIGHT OF USE ASSET - OPERATING	1,677,977	-
INVESTMENTS	19,512,304	11,400,753
TOTAL ASSETS	$ 32,923,054	$ 23,159,778

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,808,949	$ 1,674,742
Current portion of operating lease liability	123,443	-
Deferred revenues	1,249,969	1,239,380
Total Current Liabilities	3,182,361	2,914,122
OPERATING LEASE LIABILITY	1,556,852	-
Total Liabilities	4,739,213	2,914,122
NET ASSETS		
Without donor restrictions		
Net investment in property and equipment	433,769	304,579
Board designated quasi endowment - operating reserve	19,512,304	11,400,753
Board designated operating reserve	4,384,513	4,590,722
Board designated scholarship fund	67,312	66,938
Available for general use	2,036,660	1,812,097
Total Net Assets without Donor Restrictions	26,434,558	18,175,089
With donor restrictions		
Perpetual in nature	42,585	42,585
Purpose restrictions	1,516,178	1,714,599
Time-restricted for future periods	190,520	313,383
Total Net Assets With Donor Restrictions	1,749,283	2,070,567
Total Net Assets	28,183,841	20,245,656
TOTAL LIABILITIES AND NET ASSETS	$ 32,923,054	$ 23,159,778

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(With Summarized Financial Information For The Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT				
Contracts	$ 1,840,547	$ -	$ 1,840,547	$ 1,748,802
Federal grants	1,322,457	-	1,322,457	2,596,288
Grants and contributions	8,892,605	1,384,144	10,276,749	3,783,830
Total Support	12,055,609	1,384,144	13,439,753	8,128,920
REVENUES				
Recertification and affiliation fees	4,721,720	-	4,721,720	4,368,949
Training and consulting fees	4,543,373	-	4,543,373	4,412,509
Conference	1,075,290	-	1,075,290	1,023,527
Sales of materials	119,556	-	119,556	104,790
Reimbursed service costs	43,544	-	43,544	35,105
Miscellaneous income	13,558	-	13,558	17,314
Total Revenues	10,517,041	-	10,517,041	9,962,194
NET ASSETS RELEASED FROM RESTRICTIONS	1,705,428	(1,705,428)	-	-
Total Support and Revenue	24,278,078	(321,284)	23,956,794	18,091,114
EXPENSES				
Program services	13,377,621	-	13,377,621	12,902,456
Management and general	3,322,139	-	3,322,139	3,112,154
Fund development	355,037	-	355,037	259,999
Total Expenses	17,054,797	-	17,054,797	16,274,609
Change in Net Assets from Operations	7,223,281	(321,284)	6,901,997	1,816,505
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(124,154)	-	(124,154)	-
INVESTMENT RETURN, NET OF FEES	1,160,342	-	1,160,342	(1,453,175)
Change in Net Assets	8,259,469	(321,284)	7,938,185	363,330
NET ASSETS, Beginning of year	18,175,089	2,070,567	20,245,656	19,882,326
NET ASSETS, End of year	$ 26,434,558	$ 1,749,283	$ 28,183,841	$ 20,245,656

Parents as Teachers National Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023
(With Summarized Financial Information For The Year Ended June 30, 2022)

	2023									2022
	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	$ 1,592,815	$ 2,141,362	$ 857,975	$ 2,184,759	$ 388,342	$ 7,165,253	$ 2,141,585	$ 306,930	$ 9,613,768	$ 9,050,499
Professional and contracted services	563,318	1,162,277	1,133,339	492,716	444,502	3,796,152	664,942	11,082	4,472,176	4,746,532
International conference	12,433	4,525	-	2,375	1,102,337	1,121,670	11,907	7,852	1,141,429	915,156
Occupancy	52,237	106,509	35,460	118,092	16,517	328,815	100,759	6,392	435,966	448,458
Travel	43,431	83,968	86,460	119,289	4,185	337,333	989	-	338,322	166,437
Cost of goods sold	61,505	14,815	-	154,050	11,204	241,574	8,027	1,561	251,162	352,691
Bank and credit card fees	26,100	33,392	13,030	43,517	8,156	124,195	40,211	3,262	167,668	144,918
Office supplies and non-capital equipment	3,100	5,705	3,125	18,871	2,866	33,667	81,972	1,528	117,167	62,570
Bad debt expense	-	-	-	-	-	-	81,000	-	81,000	-
Staff development	1,432	1,438	793	21,793	-	25,456	39,846	53	65,355	76,506
Facilities	1,608	14,132	1,515	10,879	897	29,031	31,239	354	60,624	19,160
Telephone	2,660	9,348	1,945	21,706	1,308	36,967	6,382	853	44,202	39,923
Depreciation	5,302	10,619	3,384	10,677	1,882	31,864	10,548	957	43,369	40,431
Postage and shipping	16,753	4,503	471	1,455	2,602	25,784	10,998	853	37,635	14,862
Temporary services	-	-	-	-	-	-	37,544	-	37,544	27,000
Miscellaneous	199	88	6	6,106	21,372	27,771	1,277	4,443	33,491	5,746
Print, copy and video production	89	1,557	60	178	21,441	23,325	6,969	690	30,984	9,519
Board expenses	-	-	398	-	3,314	3,712	24,601	-	28,313	43,762
Dues and subscriptions	1,095	705	-	4,903	1,581	8,284	16,358	518	25,160	71,105
Advertisement	1,113	1,449	-	-	8,262	10,824	2,529	1,084	14,437	8,048
Equipment	875	2,433	591	1,760	285	5,944	1,703	142	7,789	6,167
Software fees	-	-	-	-	-	-	753	6,483	7,236	25,119
	$ 2,386,065	$ 3,598,825	$ 2,138,552	$ 3,213,126	$ 2,041,053	$ 13,377,621	$ 3,322,139	$ 355,037	$ 17,054,797	$ 16,274,609

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

	Years Ended June 30, 2023	Years Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,938,185	$ 363,330
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	43,369	40,431
Loss on disposal of property and equipment	124,154	-
Reduction in carrying amount of right of use asset	22,465	-
Net realized and unrealized (gain) loss on investments	(823,185)	1,893,353
Inventory obsolescence write-off	31,433	10,137
Bad debt expense	81,000	-
(Increase) decrease in assets:		
Accounts receivable, net	(201,605)	(203,188)
Contracts receivable, net	(1,042,527)	169,989
Grants receivable	(17,646)	378,340
Contributions receivable	125,484	16,363
Inventory	19,256	66,082
Prepaid expenses	(56,772)	193,264
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	134,207	152,883
Operating lease liability	(20,147)	-
Deferred revenues	10,589	415,201
Net Change in Cash from Operating Activities	6,368,260	3,496,185
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(21,491,491)	(1,050,913)
Proceeds from sale of investments	14,203,125	610,789
Purchase of property and equipment	(296,713)	-
Net Change in Cash from Investing Activities	(7,585,079)	(440,124)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,216,819)	3,056,061
CASH AND CASH EQUIVALENTS, Beginning of year	9,879,431	6,823,370
CASH AND CASH EQUIVALENTS, End of year	$ 8,662,612	$ 9,879,431
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ -	$ -
Operating lease right of use asset obtained in exchange for operating lease liability upon adoption of ASU 842	$ 1,700,442	$ -

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 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, 2022, from which the summarized information was derived.

Change in Accounting Principle - Leases

Effective July 1, 2022, the Center adopted FASB ASC 842, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the Statement of Financial Position for all leases and requires expanded qualitative and quantitative disclosures. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the Statement of Activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized on the Statement of Activities on a straight-line basis over the lease term.

The Center elected to adopt FASB ASC 842, Leases, using the effective date method that allows the Center to initially apply the new lease standard at the effective date. As a result, the comparative period presented in the financial statements is in accordance with FASB ASC 840.

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.

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

Net Assets without Donor Restrictions *(Continued)*

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

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

Board Designated Operating Reserve represents those net assets established with the intention of providing an internal source of funds for situations such as a sudden increase in expense, one-time unbudgeted expenses, unanticipated loss in funding, extraordinary losses, or uninsured losses.

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

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. At June 30, 2023, the amount in excess of insured limits was $8,698,061. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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

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 $55,000 at June 30, 2023.

Leases

The Center determines if an arrangement is or contains a lease at inception. Leases are included in the right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Variable lease costs are not included in the calculation. Operating lease expense is recognized on a straight-line basis over the lease term. The Center does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term. The Center does not have any material financing leases as of June 30, 2023.

Inventory

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

Investments

Investments consist of equity, fixed income, and alternative investments, and cash equivalents, 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.

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

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 fees, renewal fees and conference fees paid in advance for training seminars and conferences which have not occurred as of year-end and annual affiliation fees for the upcoming year. Deferred revenues also consist of conditional grants in which cash has been received but conditions of the grant have not been met as of June 30, 2023.

Revenue and Revenue Recognition

The Center recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

Contributions are recognized when a donor makes a promise to give to the Center 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 as net assets released from restrictions.

Conference

Conference revenue from ticket sales and sponsorships that relate to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

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

Revenue and Revenue Recognition *(Continued)*

Grants, Contracts and Federal Grants

A portion of the Center's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contracts or grant provisions.

Program Service Fees

Program service fees are recorded as performance obligations are met. Payments received in advance are deferred until earned.

Contributions of Nonfinancial Assets

Donated facilities, goods, assets, and services are recorded at fair value on the date of the gift. Generally accepted accounting principles require recognition of contributions of nonfinancial assets if those nonfinancial assets (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Center also receives donated services from unpaid volunteers who assist in fundraising and special projects. This support does not meet the criteria for recognition.

Functional Expense Allocation

The Statement of Functional Expenses report certain categories of expenses that are attributable to one or more programs 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, inventory, prepaid expenses, accounts payable and accrued expenses, the current portion of operating lease liability and deferred revenues reported in the Statements of Financial Position approximate fair values due to the short-term maturities of those instruments.

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

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 2020 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.

Reclassification

Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, 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, 2022, through June 30, 2023.

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

Description of Program Services and Supporting Activities *(Continued)*

Program Services *(Continued)*

Affiliations and Program Support **–** The number of Parents as Teacher ("PAT") affiliates at June 30, 2023, was 964 in 49 states, District of Columbia, Germany, Switzerland, United Kingdom, and Canada. Curriculum subscribers extend the footprint to include 50 states, Australia, 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 includes the continual updating of the online Foundational Curriculum to include the development of new parent handouts in modified reading level and visual versions. New resources for the field include the family engagement book, Engaged, and multiple resources related to virtual service delivery.

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 and the St. Louis Mental Health Board where the Center administers the program and supervises staff to implement the model and deliver direct services to families.

Also included is the Wyoming, Missouri, and Texas 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.

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

Description of Program Services and Supporting Activities *(Continued)*

Program Services *(Continued)*

General Program *(Continued) –*

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 50 BIE-funded schools.

Outreach – Includes dissemination of information about Parents as Teachers programming and services to parents, social service agencies, schools, legislators, childcare 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.

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.

B. OPERATIONS *(Continued)*

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. 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.

Fair values of assets measured on a recurring basis at June 30, 2023, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
June 30, 2023				
Cash Equivalents	$ 7,385,186	$ 7,385,186	$ -	$ -
Equity Investments	7,404,388	7,404,388	-	-
Fixed Income Investments	4,177,906	-	4,177,906	-
Alternative Investments	544,824	544,824	-	-
Total	$19,512,304	$15,334,398	$ 4,177,906	$ -

D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Office furniture and equipment	$1,147,236
Leasehold improvements	172,503
	1,319,739
Less: accumulated depreciation	(885,970)
Total Property and Equipment, Net	$ 433,769

Depreciation amounted to $43,369 for the year ended June 30, 2023.

E. OPERATING RIGHT OF USE ASSET AND LEASE LIABILITY

During fiscal year 2023, the Center rented office space through an operating lease agreement that expired in April of 2023. Monthly payments were set at $18,713, plus costs for real estate taxes, certain maintenance expenses, insurance, and certain other operation expenses applicable to the leased premises. Operating lease expense related to this lease was $290,929 for the year ending June 30, 2023.

In May of 2023, the Center entered into a new operating lease agreement for office space. The agreement provides for monthly payments ranging from $15,146 to $17,580 and is set to expire in October of 2033.

The following summarizes the line items in the statements of financial position for the operating lease as of June 30, 2023:

Operating lease right-of-use asset	$1,677,977
Current portion of operating lease liability	123,443
Non-current portion of operating lease liability	1,556,852
Total operating lease liability	$1,680,295

The following summarizes the weighted average remaining lease term and discount rate for the operating lease as of June 30, 2023:

Weighted average remaining lease term	10.33 years
Weighted average discount rate	3.59%

E. **OPERATING RIGHT OF USE ASSET AND LEASE LIABILITY** *(Continued)*

Future minimum rental payments under the operating lease are as follows:

Years Ending June 30,	Amount
2024	$ 181,748
2025	183,912
2026	187,157
2027	190,403
2028	193,648
Thereafter	1,087,243
Total lease payments	2,024,111
Less: present value discount	343,816
Present value of lease liability	$1,680,295

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense included in occupancy expense	$ 32,610

The following summarizes the cash flow information related to the lease for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating lease	$ 30,291

F. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of support without donor restrictions previously received by the Center. These funds are earmarked by the Board of Directors as follows:

Board Designated Operating Reserve:

Quasi Endowment – Operating Reserve – 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 $19,512,304 for the year ended June 30, 2023.

Operating Reserve – Established with the intention of providing an internal source of funds for situations such as a sudden increase in expense, one-time unbudgeted expenses, unanticipated loss in funding, extraordinary losses, or uninsured losses. The Board designated operating reserve amounted to $4,384,513 for the year ended June 30, 2023.

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 $67,312 for the year ended June 30, 2023.

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2023:

Enterprise Foundation ROAD Forward	$ 900,009
Heising Simons Foundation RR-VHV2	522,743
The Lipstein Foundation	47,386
United Way FY23	26,310
Emerson Charitable Trust Grant	10,401
Heising Simons Foundation	7,000
Health Federation of Philadelphia	1,741
Emerson FY23	588
	1,516,178
Subject to the passage of time for periods after June 30:	
Individual Contributions	132,853
Emerson Charitable Trust	10,000
Edward Jones	10,000
Bonterra Tech	10,000
All About Books	5,500
Quick Trip Corp	5,167
Family Reporting Corp	5,000
Gadelnet	4,000
Mutual of America	3,000
Steven F. Roy Investments Inc.	3,000
Commerce Bank	2,000
	190,520
Subject to the Organization's spending policy and appropriation:	
Original donor restricted gift amount and amount required to be maintained by donor:	42,585
Total Net Assets With Donor Restrictions	$1,749,283

H. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions are as follows for the year ended June 30, 2023:

Enterprise Foundation ROAD Forward	$ 778,429
Kellogg FY22	150,000
Heising Simons Foundation RR-VHV2	121,805
O'Shaughnessy	41,337
Emerson FY23 Grant	39,412
United Way FY22	36,279
The Lipstein Foundation	33,938
Goldstein FY23	30,000
Health Federation of Philadelphia	28,259
United Way FY23	26,314
Simon Foundation	25,000
Dana Brown	19,951
Goldstein FY22	15,465
Saigh FY23	11,000
Saigh FY22	10,000
Stupp	8,500
Pettus	6,067
St. Louis Philanthropic	3,500
Roblee	2,262
First Bank	2,193
Toyota	1,223
Emerson Charitable Trust	1,111
	1,392,045
Time Restrictions expired:	
Individual Contributions	127,383
Centene Foundation	125,000
W.K. Kellogg Foundation	20,000
Allen P. & Josephine B. Green Foundation	12,000
Edward Jones	10,000
Edison Family Foundation	5,000
Bezos Family Foundation	4,000
Mutual of America	3,000
Moneta Charitable Foundation	2,500
Steven F. Roy Investments, Inc.	2,500
TWIGA	2,000
	313,383
Total Net Assets Released from Restrictions	$ 1,705,428

I. GRANTS AND CONTRIBUTIONS WITH DONOR RESTRICTIONS

The Center's grants and contributions support for the year ended June 30, 2023, is as follows:

Enterprise Foundation ROAD Forward	$1,000,000
Individual Contributions	132,853
United Way	52,624
Emerson Charitable Trust	40,000
O'Shaughnessy	30,000
Goldstein FY23	30,000
Health Federation of Philadelphia	30,000
Saigh FY22	11,000
Emerson Charitable Trust	10,000
Edward Jones	10,000
Bonterra Tech	10,000
All About Books	5,500
Quick Trip Corp	5,167
Family Reporting Corp	5,000
Gadelnet	4,000
Mutual of America	3,000
Steven F. Roy Investments Inc.	3,000
Commerce Bank	2,000
	$1,384,144

J. 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, 2023.

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.

J. ENDOWMENT FUNDS *(Continued)*

Spending Policy: The Board designated Quasi Endowment funds were 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 donor-restricted endowment funds or deficiencies at June 30, 2023.

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Assets
Board designated endowment funds	$19,512,304	$ -	$19,512,304

Changes in endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$11,400,753	$ -	$11,400,753
Board transfer in	7,000,000	-	7,000,000
Interest and dividends, net of fees	288,366	-	288,366
Net appreciation (realized and unrealized)	823,185	-	823,185
Amounts appropriated for operations	-	-	-
Endowment net assets, end of year	$19,512,304	-	$19,512,304

K. CONTRACTS

The Center’s contract support for the year ended June 30, 2023 is as follows:

BIE Contract	$1,225,586
Texas DFPS	374,417
Normandy Schools Collaborative	169,694
Foundational Translation	70,850
Total Contracts	$1,840,547

L. FEDERAL GRANTS

The Center's Federal grants support for the year ended June 30, 2023 is as follows:

U.S. Department of Health and Human Services	
Maternal, Infant and Early Childhood	
Home Visiting Program - WY	$ 236,969
Passed through Missouri Department of Health and Senior Services	
Maternal, Infant and Early Childhood	
Home Visiting Program - MO	754,769
Passed through Washington University	
Cardiovascular Diseases Research	139,906
Passed through Northwestern University	
Cardiovascular Diseases Research	27,561
Total U.S. Department of Health and Human Services	1,159,205
U.S. Department of Education	
Passed through the Public Broadcasting Service	
Ready to Learn Project	100,692
Total U.S. Department of Education	100,692
U.S. Department of Treasury	
Passed through the City of St. Louis	
Coronavirus State and Local Fiscal Recovery Funds	62,560
Total U.S. Department of Treasury	62,560
Total Federal Grants	$1,322,457

M. 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 has been accrued for in fiscal year 2023. The Center's contribution to the plan for the year ended June 30, 2023 was $366,123.

N. LINE OF CREDIT

The Center has an $800,000 line of credit bearing variable interest of monthly Prime Rate (8.25% at June 30, 2023) less 0.65%, with a floor of 2.85%. Outstanding principal and interest are payable March 15, 2024. There was no outstanding balance at June 30, 2023. Certain investment accounts are pledged as collateral.

O. 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.

As described in Note N, 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.

O. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *(Continued)*

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, 2023:

Cash and cash equivalents	$ 8,662,612
Accounts receivable, net	668,110
Contracts receivable, net	1,117,300
Grants receivable	400,259
Contributions receivable	38,629
Investments	19,512,304
Total financial assets	30,399,214
Less amounts not available or expected to be used within one year:	
Board designated quasi endowment - operating reserve	19,512,304
Board designated operating reserve	4,384,513
Board designated scholarship fund	67,312
Donor-restricted perpetual in nature	42,585
Total financial assets not available or expected to be used within one year	24,006,714
Financial assets available to meet cash needs for general expenditures within one year	$ 6,392,500

P. RELATED PARTY

The Center contracted for collaborative services with two companies whose executive directors are members of the Center's board of directors. The Companies were paid approximately $270,000 and $39,000 during the year ended June 30, 2023, for services that align with the Center's Strategic Initiatives. The board members disclosed the contract relationship in a board meeting, the extent of the project as well as noted the relationship in the Conflict of Interest Policy Acknowledgment signed by board directors annually.