

PARENTS AS TEACHERS NATIONAL CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2024**

Parents as Teachers National Center, Inc.

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INDEPENDENT AUDITORS' REPORT

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

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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 October 1, 2024, 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
October 1, 2024

FINANCIAL STATEMENTS

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

ASSETS		June 30,	
		2024	2023
CURRENT ASSETS			
Cash and cash equivalents	\$	7,301,035	\$ 8,662,612
Accounts receivable, net		370,169	668,110
Contracts receivable, net		321,606	1,117,300
Grants receivable		487,750	400,259
Contributions receivable		47,103	38,629
Inventory		54,510	44,119
Prepaid expenses		476,403	367,975
Total Current Assets		9,058,576	11,299,004
PROPERTY AND EQUIPMENT, NET		397,443	433,769
RIGHT OF USE ASSET - OPERATING		1,540,624	1,677,977
INVESTMENTS		21,931,193	19,512,304
TOTAL ASSETS	\$	32,927,836	\$ 32,923,054
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	2,413,115	\$ 1,808,949
Current portion of operating lease liability		130,135	123,443
Deferred revenues		1,469,812	1,249,969
Total Current Liabilities		4,013,062	3,182,361
OPERATING LEASE LIABILITY		1,426,716	1,556,852
Total Liabilities		5,439,778	4,739,213
NET ASSETS			
Without donor restrictions			
Net investment in property and equipment		397,443	433,769
Board designated quasi endowment - operating reserve		21,456,548	19,512,304
Board designated operating reserve		130,934	4,384,513
Board designated scholarship fund		68,417	67,312
Available for general use		3,830,421	2,036,660
Total Net Assets without Donor Restrictions		25,883,763	26,434,558
With donor restrictions			
Perpetual in nature		42,585	42,585
Purpose restrictions		1,372,775	1,516,178
Time-restricted for future periods		188,935	190,520
Total Net Assets With Donor Restrictions		1,604,295	1,749,283
Total Net Assets		27,488,058	28,183,841
TOTAL LIABILITIES AND NET ASSETS	\$	32,927,836	\$ 32,923,054

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024
(With Summarized Financial Information For The Year Ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT				
Contracts	\$ 1,875,196	\$ -	\$ 1,875,196	\$ 1,840,547
Federal grants	1,357,045	-	1,357,045	1,322,457
Grants and contributions	<u>2,008,433</u>	<u>1,703,281</u>	<u>3,711,714</u>	<u>10,276,749</u>
 Total Support	 <u>5,240,674</u>	 <u>1,703,281</u>	 <u>6,943,955</u>	 <u>13,439,753</u>
 REVENUES				
Recertification and affiliation fees	4,933,568	-	4,933,568	4,721,720
Training and consulting fees	4,645,030	-	4,645,030	4,543,373
Conference	1,215,179	-	1,215,179	1,075,290
Sales of materials	103,969	-	103,969	119,556
Reimbursed service costs	62,609	-	62,609	43,544
Miscellaneous income	<u>10,542</u>	<u>-</u>	<u>10,542</u>	<u>13,558</u>
 Total Revenues	 <u>10,970,897</u>	 <u>-</u>	 <u>10,970,897</u>	 <u>10,517,041</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>1,848,269</u>	 <u>(1,848,269)</u>	 <u>-</u>	 <u>-</u>
 Total Support and Revenue	 <u>18,059,840</u>	 <u>(144,988)</u>	 <u>17,914,852</u>	 <u>23,956,794</u>
 EXPENSES				
Program services	16,699,435	-	16,699,435	13,377,621
Management and general	3,815,684	-	3,815,684	3,322,139
Fund development	<u>410,761</u>	<u>-</u>	<u>410,761</u>	<u>355,037</u>
 Total Expenses	 <u>20,925,880</u>	 <u>-</u>	 <u>20,925,880</u>	 <u>17,054,797</u>
 Change in Net Assets from Operations	 (2,866,040)	 (144,988)	 (3,011,028)	 6,901,997
 LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	 -	 -	 -	 (124,154)
INVESTMENT RETURN, NET OF FEES	<u>2,315,245</u>	<u>-</u>	<u>2,315,245</u>	<u>1,160,342</u>
 Change in Net Assets	 (550,795)	 (144,988)	 (695,783)	 7,938,185
 NET ASSETS, Beginning of year	 <u>26,434,558</u>	 <u>1,749,283</u>	 <u>28,183,841</u>	 <u>20,245,656</u>
 NET ASSETS, End of year	 <u>\$ 25,883,763</u>	 <u>\$ 1,604,295</u>	 <u>\$ 27,488,058</u>	 <u>\$ 28,183,841</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024
(With Summarized Financial Information For The Year Ended June 30, 2023)

	Training and Curriculum	2024				2023				
		Research and Evaluation		Management and Fund		Research and Evaluation		Management and Fund		
		Affiliations	General Program	Outreach	Total Program Services	Affiliations	General Program	Outreach	Total Program Services	
Salaries, payroll taxes and benefits	\$ 1,857,375	\$ 2,254,835	\$ 999,103	\$ 2,466,301	\$ 435,039	\$ 8,012,653	\$ 2,656,817	\$ 332,681	\$ 11,002,151	\$ 9,613,768
Professional and contracted services	588,930	1,566,015	1,332,946	340,993	349,727	4,178,611	515,705	52,613	4,746,929	4,472,176
Challenge grants	20,000	1,787,500	-	-	-	1,807,500	-	-	1,807,500	-
International conference	23,456	25,703	5,660	28,560	1,284,947	1,368,326	28,099	3,458	1,399,883	1,141,429
Travel	91,828	113,152	11,381	146,830	14,347	377,538	69,746	995	448,279	338,322
Temporary services	-	74,070	-	-	-	74,070	198,619	-	272,689	37,544
Cost of goods sold	51,021	7,597	6,045	191,858	22	256,543	12,485	13	269,041	251,162
Occupancy	31,498	40,065	20,946	82,020	8,922	183,451	29,797	6,315	219,563	435,966
Bank and credit card fees	23,226	29,665	11,584	38,762	7,251	110,488	92,312	3,586	206,386	167,668
Software fees	1,906	77,366	7,850	3,215	513	90,850	6,558	465	97,873	7,236
Facilities	751	13,040	12	6,951	5,962	26,716	33,150	321	60,187	60,624
Depreciation	9,568	12,232	4,777	15,953	2,990	45,520	13,084	1,196	59,800	43,369
Telephone	3,241	9,495	2,972	24,225	1,313	41,246	12,754	1,404	55,404	44,202
Board expenses	-	-	-	-	-	-	53,242	453	53,695	28,313
Staff development	750	516	827	1,463	-	3,556	35,140	175	38,871	65,355
Office supplies and non-capital equipment	1,422	1,762	619	11,722	2,032	17,557	18,028	51	35,636	117,167
Advertisement	-	21,014	-	-	4,704	25,718	5,000	75	30,793	14,437
Print, copy and video production	2,218	1,134	180	527	23,625	27,684	2,173	599	30,456	30,984
Dues and subscriptions	456	1,668	-	3,159	8,592	13,875	9,215	2,309	25,399	25,160
Miscellaneous	15	1,057	227	425	4,102	5,826	15,950	2,856	24,632	33,491
Postage and shipping	11,466	3,431	3	101	954	15,955	7,329	993	24,277	37,635
Equipment	1,018	10,066	678	2,037	1,953	15,752	481	203	16,436	7,789
Bad debt expense	-	-	-	-	-	-	-	-	-	81,000
	\$ 2,720,145	\$ 6,051,383	\$ 2,405,810	\$ 3,365,102	\$ 2,156,995	\$ 16,699,435	\$ 3,815,684	\$ 410,761	\$ 20,925,880	\$ 17,054,797

See accompanying notes to financial statements
(6)

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

	Years Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 695,783)	\$ 7,938,185
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	59,800	43,369
Loss on disposal of property and equipment	-	124,154
Reduction in carrying amount of right of use asset	137,353	22,465
Net realized and unrealized (gain) loss on investments	(1,342,183)	(823,185)
Inventory obsolescence write-off	809	31,433
Donated securities	(2,190)	-
Proceeds from sale of donated securities	2,190	-
Bad debt expense	-	81,000
(Increase) decrease in assets:		
Accounts receivable, net	297,941	(201,605)
Contracts receivable, net	795,694	(1,042,527)
Grants receivable	(87,491)	(17,646)
Contributions receivable	(8,474)	125,484
Inventory	(11,200)	19,256
Prepaid expenses	(108,428)	(56,772)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	604,166	134,207
Operating lease liability	(123,444)	(20,147)
Deferred revenues	219,843	10,589
 Net Change in Cash from Operating Activities	 (261,397)	 6,368,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,462,812)	(21,491,491)
Proceeds from sale of investments	4,386,106	14,203,125
Purchase of property and equipment	(23,474)	(296,713)
 Net Change in Cash from Investing Activities	 (1,100,180)	 (7,585,079)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (1,361,577)	 (1,216,819)
 CASH AND CASH EQUIVALENTS, Beginning of year	 8,662,612	 9,879,431
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 7,301,035</u>	 <u>\$ 8,662,612</u>
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Operating lease right of use asset obtained in exchange for operating lease liability upon adoption of ASU 842	<u>\$ -</u>	<u>\$ 1,700,442</u>

See accompanying notes to financial statements

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses.

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, 2023, 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.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

Net Assets without Donor Restrictions (Continued)

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, 2024, the amount in excess of insured limits was \$7,352,706. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The Center uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions. The Center provides for losses on accounts receivable using the allowance method. The allowance for credit losses on accounts receivable was \$55,000 as of June 30, 2024.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

Contracts, Grants and Contributions Receivable

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 status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance method. The Center has an allowance for doubtful accounts of \$56,000 at June 30, 2024.

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, 2024.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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, 2024.

Revenue Recognition – Contributions

Contributions

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 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.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

Revenue Recognition – Contracts with Customers

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.

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 reports 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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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.

Concentration of Credit Risk

Financial instruments that are exposed to credit risk are cash, accounts receivable and investments. The cash and investments are in high quality institutions and companies with high credit ratings. Accounts receivable are principally with early childhood programs, organizations, and individuals. The Center performs ongoing evaluations of accounts receivable to determine if an allowance is necessary.

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 2021 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.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 1, 2024, 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:

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

Description of Program Services and Supporting Activities (Continued)

Program Services (Continued)

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, 2023, through June 30, 2024.

Affiliations and Program Support – The number of Parents as Teacher (“PAT”) affiliates at June 30, 2024, was 967 in 49 states, District of Columbia, Germany, Switzerland, United Kingdom, and Canada. Curriculum Partners included 504 in Missouri school districts, 113 Early Head Start programs as well as a multitude of individual professional subscribers extend the footprint to include 50 states, Australia, and Guam. The center launched a research partnership with Washington University, funded by a federal grant, that will expand model implementation into Nigeria.

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 revised and expanded prenatal and postpartum content, identifying content available in the PAT Engage App, and multiple resources related to service delivery to meet specific needs of families.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

Description of Program Services and Supporting Activities (Continued)

Program Services (Continued)

General Program – (Continued)

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 state of Wyoming, serves as a local implementing agency in Missouri and provides implementation support and training to model affiliates in Texas.

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 53 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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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. 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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

C. FAIR VALUE DISCLOSURES (Continued)

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>June 30, 2024</u>				
Cash Equivalents	\$ 8,483,795	\$ 8,483,795	\$ -	\$ -
Equity Investments	8,453,344	8,453,344	-	-
Fixed Income Investments	4,391,701	-	4,391,701	-
Alternative Investments	602,353	602,353	-	-
Total	<u>\$21,931,193</u>	<u>\$17,539,492</u>	<u>\$4,391,701</u>	<u>\$ -</u>

D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Office furniture and equipment	\$1,147,236
Leasehold improvements	<u>195,977</u>
	1,343,213
Less: accumulated depreciation	<u>(945,770)</u>
Total Property and Equipment, Net	<u>\$ 397,443</u>

Depreciation amounted to \$59,800 for the year ended June 30, 2024.

E. OPERATING RIGHT OF USE ASSET AND LEASE LIABILITY

The Organization leases office space under an operating lease agreement expiring in October 2033. The term of this lease requires base monthly payments of \$15,146 to \$17,580, plus costs for real estate taxes, certain maintenance expenses, insurance, and certain other operation expenses applicable to the leased premises.

The following summarizes the line items in the statements of financial position for the operating lease as of June 30, 2024:

Operating lease right-of-use asset	<u>\$1,540,624</u>
Current portion of operating lease liability	130,135
Non-current portion of operating lease liability	<u>1,426,716</u>
Total operating lease liability	<u>\$1,556,851</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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

The following summarizes the weighted average remaining lease term and discount rate for the operating lease as of June 30, 2024:

Weighted average remaining lease term	9.33 years
Weighted average discount rate	3.59%

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

Years Ending <u>June 30,</u>	<u>Amount</u>
2025	\$ 183,912
2026	187,157
2027	190,403
2028	193,648
2029	196,894
Thereafter	<u>890,349</u>
Total lease payments	1,842,363
Less: present value discount	<u>285,512</u>
Present value of lease liability	<u><u>\$1,556,851</u></u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2024:

Operating lease expense included in occupancy expense	<u><u>\$158,377</u></u>
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The following summarizes the cash flow information related to the lease for the year ended June 30, 2024:

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

Operating cash flows from operating lease	<u><u>\$121,165</u></u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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 \$21,456,548 for the year ended June 30, 2024.

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 \$130,934 for the year ended June 30, 2024.

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 \$68,417 for the year ended June 30, 2024.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2024:

Enterprise Foundation ROAD Forward	\$ 808,921
Heising Simons Foundation RR-VHV2	269,405
O'Shaughnessy Foundation	60,134
Health Federation of Philadelphia	50,000
Lanter Family Foundation	35,791
United Way	28,598
Rung for Women	20,000
Dana Brown Charitable Trust	19,200
Generate Health STL	15,520
The Lipstein Foundation	14,458
Pettus Foundation	12,500
Saigh Foundation	12,000
Roblee Foundation	10,000
Stupp Foundation	10,000
PwC Charitable Foundation	5,670
Goldstein	578
	<u>1,372,775</u>

Subject to the passage of time for periods after June 30:

Individual Contributions	144,435
David Morley	10,000
Datakeeper Technologies	9,500
QuickTrip Corporation	6,000
Edward Jones	5,000
Moxo	5,000
Steven F. Roy Investments Inc.	4,000
Gadellnet	3,000
Commerce Bank	2,000
	<u>188,935</u>

Subject to the Organization's spending policy and appropriation:

Original donor restricted gift amount and amount required to be maintained by donor:	<u>42,585</u>
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Total Net Assets With Donor Restrictions	<u><u>\$1,604,295</u></u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

H. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions are as follows for the year ended June 30, 2024:

Enterprise Foundation ROAD Forward	\$1,091,088
Heising Simons Foundation RR-VHV2	253,338
The Lipstein Foundation	32,928
Goldstein	29,422
United Way	26,310
Generate Health STL	25,096
RGA Foundation	25,000
Simon Foundation	25,000
United Way	22,932
PwC Charitable Foundation	19,330
Emerson Charitable Trust	10,401
Employees Community Fund of Boeing	10,000
Stupp Foundation	8,500
Heising Simons Foundation	7,000
O'Shaughnessy Foundation	4,866
Lanter Family Foundation	4,209
Health Federation of Philadelphia	1,741
Emerson STEM	588
	<u>1,597,749</u>

Time Restrictions expired:

Individual Contributions	152,853
W.K. Kellogg Foundation	25,000
Bonterra Tech	15,000
Edward Jones	10,000
Emerson Charitable Trust	10,000
All About Books	5,500
QuickTrip Corporation	5,167
Family Reporting Corp	5,000
International Council on Development & Learning	5,000
Moxo	5,000
Gadellnet	4,000
Mutual of America	3,000
Steven F. Roy Investments, Inc.	3,000
Commerce Bank	2,000
	<u>250,520</u>

Total Net Assets Released from Restrictions	<u><u>\$1,848,269</u></u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

I. GRANTS AND CONTRIBUTIONS WITH DONOR RESTRICTIONS

The Center's grants and contributions support for the year ended June 30, 2024, is as follows:

Enterprise Foundation ROAD Forward	\$1,000,000
Individual Contributions	164,435
O'Shaughnessy Foundation	65,000
United Way	51,530
Health Federation of Philadelphia	50,000
Generate Health STL	40,616
Lanter Family Foundation	40,000
Goldstein	30,000
PwC Charitable Foundation	25,000
RGA Foundation	25,000
Simon Foundation	25,000
W.K. Kellogg Foundation	25,000
Rung for Women	20,000
Dana Brown Charitable Trust	19,200
Stupp Foundation	18,500
Pettus Foundation	12,500
Saigh Foundation	12,000
David Morley	10,000
Employees Community Funding	10,000
Moxo	10,000
Roblee Foundation	10,000
Datakeeper Technologies	9,500
QuickTrip Corporation	6,000
Bonterra Tech	5,000
Edward Jones	5,000
International Council on Development & Learning	5,000
Steven F. Roy Investments Inc.	4,000
Gadellnet	3,000
Commerce Bank	2,000
	<u>\$1,703,281</u>

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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, 2024.

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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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, 2024.

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Assets
Board designated endowment funds	\$21,456,548	\$ -	\$21,456,548

Changes in endowment net assets as of June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$19,512,304	\$ -	\$19,512,304
Board transfer in	-	-	-
Interest and dividends, net of fees	602,061	-	602,061
Net appreciation (realized and unrealized)	1,342,183	-	1,342,183
Amounts appropriated for operations	-	-	-
Endowment net assets, end of year	\$21,456,548	\$ -	\$21,456,548

K. CONTRACTS

The Center's contract support for the year ended June 30, 2024 is as follows:

BIE Contract	\$1,226,171
Texas DFPS	407,958
Normandy Schools Collaborative	192,725
South Carolina - First Steps	37,142
Maine Children's Trust - Translation	11,200
Total Contracts	\$1,875,196

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

L. FEDERAL GRANTS

The Center's Federal grants support for the year ended June 30, 2024 is as follows:

U.S. Department of Health and Human Services

Passed through Missouri Department of Health and Senior Services	
Maternal, Infant and Early Childhood	
Home Visiting Program	\$ 887,031
Passed through Washington University	
Cardiovascular Disease Research	137,611
Enhancing Intergenerational Health in Nigeria; Peripartum as	
Critical Life Stage for Cardiovascular Health (ENHANCE-CVH)	59,765
Maternal, Infant and Early Childhood	
Home Visiting Program - WY	21,363
Passed through New York University (NYU)	
Parent-focused Primary Prevention of Child Sexual Abuse:	
An Effectiveness-Implementation Hybrid Trial	18,640
Passed through Northwestern University	
Cardiovascular Disease Research	<u>8,416</u>
Total U.S. Department of Health and Human Services	<u>1,132,826</u>

U.S. Department of Education

Passed through the Public Broadcasting Service	
Ready to Learn Project	<u>176,971</u>
Total U.S. Department of Education	<u>176,971</u>

U.S. Department of Treasury

Passed through the City of St. Louis	
State and Local Fiscal Recovery Fund II	30,797
Coronavirus State and Local Fiscal Recovery Funds	<u>16,451</u>
Total U.S. Department of Treasury	<u>47,248</u>

Total Federal Grants	<u><u>\$ 1,357,045</u></u>
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Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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 2024. The Center's contribution to the plan for the year ended June 30, 2024 was \$400,661.

N. LINE OF CREDIT

The Center has an \$800,000 line of credit bearing variable interest of monthly Prime Rate (8.50% at June 30, 2024) with a floor of 2.60%. Outstanding principal and interest are payable March 15, 2025. There was no outstanding balance at June 30, 2024. 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.

Parents as Teachers National Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Continued)

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, 2024:

Cash and cash equivalents	\$ 7,301,035
Accounts receivable, net	370,169
Contracts receivable, net	321,606
Grants receivable	487,750
Contributions receivable	47,103
Investments	<u>21,931,193</u>
 Total financial assets	 <u>\$30,458,856</u>

Less amounts not available or expected to be used within one year:

Board designated quasi endowment - operating reserve	21,456,548
Board designated operating reserve	130,934
Board designated scholarship fund	68,417
Donor-restricted perpetual in nature	<u>42,585</u>

Total financial assets not available or expected to be used within one year	<u>21,698,484</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,760,372</u>
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P. RELATED PARTY

The Center contracted for collaborative services with one company whose executive director is a member of the Center's board of directors. The Companies was paid approximately \$240,000 during the year ended June 30, 2024, 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.