THE PARENT-CHILD HOME PROGRAM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2014

THE PARENT-CHILD HOME PROGRAM, INC.

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Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Parent-Child Home Program, Inc.
Garden City, New York

We have audited the accompanying financial statements of The Parent-Child Home Program, Inc., (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parent-Child Home Program, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information
We have previously audited The Parent-Child Home Program, Inc.'s 2013 financial statements, and our report dated October 30, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sillig + Company

CERTIFIED PUBLIC ACCOUNTANTS
GREAT NECK, NEW YORK
December 4, 2014

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(With comparative totals for 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 1,240,994	$ 1,176,679
Marketable securities	807,566	659,438
Prepaid expenses	33,000	10,000
Accounts receivable	89,170	27,891
	2,170,730	1,874,008
Office equipment, net of accumulated depreciation of $61,615	6,752	9,841
Web site development costs, net	178,567	156,337
Video creation costs, net	19,620	23,884
Security deposit	15,123	14,648
	$ 2,390,792	$ 2,078,718
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other liabilities	$ 64,443	$ 49,850
Grants payable - current	150,000	13,490
Deferred grants-operations	524,810	320,043
	739,253	383,383
Net Assets		
Net assets - unrestricted	1,651,539	1,695,335
	$ 2,390,792	$ 2,078,718

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(With comparative totals for 2013)

	Total 2014	Total 2013
SUPPORT AND REVENUES		
SUPPORT		
Grants - Foundations	$ 1,292,850	$ 1,355,650
Grants - Government	120,638	-
Donations-United Way	5,611	12,638
Donations-Individuals	122,698	104,656
Donations-Bequest	-	-
Donations-Pass Thru	-	7,550
Donations-Corporations	20,441	16,557
Total Support	1,562,238	1,497,051
REVENUES		
Training fees	86,450	98,600
Replication and materials fees	26,378	23,413
Conference fees	29,231	29,307
Fundraising events	223,784	165,062
Investment and other income	81,269	44,803
Total Revenues	447,112	361,185
Total Support and Revenues	2,009,350	1,858,236
COSTS AND EXPENSES		
Program	1,771,779	1,687,818
General and administrative	278,562	217,485
Fundraising	2,805	2,100
Total Expenses	2,053,146	1,907,403
CHANGE IN NET ASSETS	(43,796)	(49,167)
NET ASSETS - UNRESTRICTED BEGINNING	1,695,335	1,744,502
NET ASSETS - UNRESTRICTED END	$ 1,651,539	$ 1,695,335

See notes to financial statements

THE PARENT-CHILD HOME PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014
(With comparative totals for 2013)

	Replication	Training	Outreach	Research	Total Program	General and Administrative	Fund Raising	Total 2014	Total 2013
Replication grants	$ 844,572	$ -	$ -	$ -	$ 844,572	$ -	$ -	$ 844,572	$ 678,719
Salaries	253,299	55,295	324,828	72,067	705,489	46,108	-	751,597	695,504
Payroll taxes	22,877	4,994	29,338	6,509	63,718	14,210	-	77,928	56,559
Professional fees	17,754	-	22,708	-	40,462	10,358	-	50,820	207,645
Rent	-	-	-	-	-	101,463	-	101,463	98,269
Conference expenses	29,042	-	2,174	-	31,216	-	-	31,216	31,714
Travel	13,821	-	5,835	381	20,037	429	-	20,466	9,280
Printing	258	-	4,154	-	4,412	-	-	4,412	11,587
Communications	1,063	-	573	-	1,636	-	-	1,636	360
Telephone and website fees	7,145	-	1,805	-	8,950	17,592	809	27,351	22,347
Postage and messenger	1,059	48	2,446	-	3,553	173	663	4,389	2,711
Supplies and office expense	7,632	694	2,659	126	11,111	9,216	-	20,327	8,284
Technology project	15,924	-	-	-	15,924	-	-	15,924	-
Payroll processing expenses	-	-	-	-	-	3,236	-	3,236	2,789
Health insurance	-	-	-	-	-	10,470	-	10,470	10,996
Insurance	-	-	-	-	-	6,330	-	6,330	5,733
Depreciation and amortization	9,192	-	-	-	9,192	51,196	-	60,388	53,434
Training institute expense	-	11,507	-	-	11,507	-	-	11,507	2,174
Events	-	-	-	-	-	-	1,333	1,333	966
Investment expense	-	-	-	-	-	2,764	-	2,764	4,399
Other	-	-	-	-	-	5,017	-	5,017	3,933
Total Expenses	$ 1,223,638	$ 72,538	$ 396,520	$ 79,083	$ 1,771,779	$ 278,562	$ 2,805	$ 2,053,146	$ 1,907,403

See notes to financial statements

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(With comparative totals for 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (43,796)	$ (49,167)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	60,388	53,434
Realized and unrealized investment gains	(60,926)	(25,104)
Changes in assets and liabilities:		
Accounts receivable	(61,279)	154,734
Prepaid expenses	(23,000)	-
Security deposit	(475)	(461)
Accrued expenses and other current liabilities	14,593	94
Grants payable-current	136,510	-
Deferred grants-operations	204,767	60,442
Total adjustments	270,578	243,139
Net cash provided by operating activities	226,782	193,972
Cash flows from investing activities		
Purchase of marketable securities	(139,249)	(461,123)
Proceeds from sale of marketable securities	52,047	21,407
Cash paid for web site development costs	(73,426)	(42,947)
Acquisition of property and equipment	(1,839)	(1,064)
Net cash used in investing activities	(162,467)	(483,727)
NET CHANGE IN CASH AND CASH EQUIVALENTS	64,315	(289,755)
CASH AND CASH EQUIVALENTS - BEGINNING	1,176,679	1,466,434
CASH AND CASH EQUIVALENTS - END	$ 1,240,994	$ 1,176,679

1. ORGANIZATION

The Parent-Child Home Program, Inc. (the "Organization") was incorporated under Section 402 of the Not-For-Profit Corporation law of New York State in November 1978. The Organization is exempt from tax under Section 501 (c) (3) of the Internal Revenue Code.

The Organization is a proven early childhood school readiness program for families challenged by poverty, low levels of education, language and literacy barriers, and other obstacles to educational success. The program provides intensive home visiting – twice a week for two years – to families with 2 and 3 year-old children. Home visitors model, for the parent and child together, reading and verbal interaction activities. The program bridges the achievement gap for these children, developing critical literacy and language skills and preparing children to enter school ready to learn. The Organization's National Center was created to disseminate information, promote replication, provide training and technical assistance, and conduct research on the program nationally and internationally. Revenues are derived principally from training fees; support is derived primarily from grants from private foundations and public donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual method of accounting, in accordance with accounting principles generally accepted in the United States. Contributions received and expenses incurred for future programs are deferred to the applicable year.

Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets – permanently restricted temporarily restricted and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes be displayed in a statement of activities. The Organization's financial statements consist of unrestricted net assets, which are the part of net assets that is neither permanently nor temporarily restricted by donor-imposed restrictions.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. A contribution with a restriction is reported as unrestricted if the restriction is met in the same reporting period as the receipt of the contribution.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets acquired and donated, which range from 5 to 7 years.

Intangible Assets

Web site development and video creation costs are stated at cost less accumulated amortization. Amortization is computed on the straight-line basis over the estimated useful lives of the assets acquired, which range from 5 to 7 years. Web site development costs of $410,012 are presented net of accumulated amortization of $231,445. Video creation costs of $72,660 are presented net of accumulated amortization of $53,040.

Support and Revenues

Support, revenues and expenditures are recorded on an accrual basis, thereby recognizing support and revenues when earned and expenses when incurred. Donated services, materials or equipment, if any, are recorded at their fair market value at the time of the donations. Revenue received for future periods and programs are deferred to the applicable year.

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There was no interest or income taxes paid during the year ended June 30, 2014.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization qualifies as a tax-exempt organization within the meaning of Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit organization, the Organization is also exempt from New York State income taxes. The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. At June 30, 2014, the Organization did not have any unrecognized tax benefits or liabilities. The Organization operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

Prior Year Information

The statements of financial position, activities, functional expenses, and cash flows include certain prior year summarized comparative information in total but not by category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statement of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted market prices in inactive markets or quoted prices for similar assets in active markets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 inputs were available to the Organization.

Level 1 Fair Value Measurements
The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year-end.

The fair values of exchange traded funds and preferred stock are based on quoted market prices of the shares held by the Organization at year-end.

3. FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820. The following table presents information and the Organization's assets and liabilities measured at fair value as of:

June 30, 2014

	Level 1	Level 2	Level 3	Total
Assets				
Mutual Funds				
Bonds	$ 277,888	$ -	$ -	$ 277,888
Equity Large Cap	56,184	-	-	56,184
Equity Mid Cap	37,841	-	-	37,841
Managed Futures	23,664	-	-	23,664
Equity International	19,254	-	-	19,254
Exchange Traded Funds		-	-	
Equity Large Cap	157,734	-	-	157,734
Bonds	65,237	-	-	65,237
Energy Limited Partnership	52,250	-	-	52,250
Equity International	39,217	-	-	39,217
Diversified Emerging Markets	16,860	-	-	16,860
Preferred Stock				
Equity Large Cap	61,437	-	-	61,437
	$ 807,566	$ -	$ -	$ 807,566

4. GRANTS PAYABLE AND DEFERRED GRANTS-OPERATIONS

Grants payable for the year ended June 30, 2014 of $150,000 represents grants received in the current year designated by the funder for use in the following year. Deferred grants-operations for the year ended June 30, 2014 of $524,810 represents grants received in the current year designated for site work in the following year.

5. RETIREMENT PLAN

The Organization adopted a 403(B) retirement plan on December 1, 2001, which covers all eligible employees. The employees have the option of contributing a percentage of their earnings up to a specified maximum and the Organization may contribute discretionary matching contributions to the plan. No contributions were made by the Organization for the year ended June 30, 2014.

6. COMMITMENTS

The Organization rents office space under a five year lease in Garden City, New York that expires August 31, 2017. Rent expense for the year ended June 30, 2014 was approximately $101,000. Future minimum lease payments are as follows:

Years ending June 30,	Amount
2015	$ 102,000
2016	105,000
2017	109,000
Thereafter	18,000
	$ 334,000

7. CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, cash balances may exceed the insured limits. The Organization does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents. The Organization does not have a material concentration of credit risk, with respect to accounts receivable, due to its generally short payment terms.

8. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the Organization has reviewed events that have occurred after June 30, 2014, through the date of issuance of these financial statements on December 4, 2014. During this period, the Organization did not have any material subsequent events that are required to be disclosed in the financial statements.